汇鑫小额贷款
HUIXIN MICRO-CREDIT

Quanzhou Huixin Micro-credit Co., Ltd.*

泉州匯鑫小額貸款股份有限公司

(Established in the People's Republic of China with limited liability)

(Stock Code: 1577)

2021 ANNUAL RESULTS ANNOUNCEMENT AND PROPOSED REVISION TO SCOPE OF BUSINESS AND AMENDMENTS TO ARTICLES OF ASSOCIATION

The board (the "**Board**") of directors (the "**Director(s)**") of Quanzhou Huixin Micro-credit Co., Ltd.* (the "**Company**") is pleased to announce the audited annual results (the "**Annual Results**") of the Company and its subsidiaries (the "**Group**", "**we**" or "**our**") for the year ended 31 December 2021 (the "**Reporting Period**") prepared in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRSs**") promulgated by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The Board and the audit committee of the Company (the "**Audit Committee**") have reviewed and confirmed the Annual Results. All amounts set out in this announcement are expressed in Renminbi ("**RMB**") unless otherwise indicated.

ANNUAL RESULTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended 31 December 2021
(Amounts expressed in RMB unless otherwise stated)

	Notes	**2021**	2020
Interest income	*5*	**139,788,041**	146,251,252
Interest expense	*5*	**(2,093,884)**	(2,705,872)
Interest income, net		**137,694,157**	143,545,380
Impairment losses on loans and accounts receivable, net	*6*	**(10,940,047)**	(69,124,865)
Operating and administrative expenses		**(25,463,865)**	(26,602,782)
Foreign exchange loss, net		**(238,065)**	(350,124)
Net investment (losses)/gains	*7*	**(9,094,792)**	20,447,131
Provision for a contingent liability	*8*	**(12,670,258)**	—
Other income and gains, net	*9*	**3,103,366**	3,011,237
Other expenses		**(187,785)**	(136,345)
PROFIT BEFORE TAX	*10*	**82,202,711**	70,789,632
Income tax expense	*13*	**(20,245,980)**	(16,908,893)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**61,956,731**	53,880,739
Attributable to:			
Owners of the parent		**42,078,731**	41,096,184
Non-controlling interests		**19,878,000**	12,784,555
		61,956,731	53,880,739
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*15*		
Basic		**0.06**	0.06
Diluted		**0.06**	0.06

Consolidated Statement of Financial Position

31 December 2021

(Amounts expressed in RMB unless otherwise stated)

	Notes	**31 December 2021**	31 December 2020
ASSETS			
Cash and cash equivalents	*16*	**40,897,950**	31,876,542
Securities purchased under agreements to re-sell		**—**	3,800,000
Financial assets at fair value through profit or loss	*17*	**283,740,839**	362,839,515
Loans and accounts receivable	*18*	**983,289,132**	833,535,610
Property and equipment	*19*	**11,243,301**	8,522,484
Right-of-use assets	*20*	**1,497,770**	250,181
Goodwill	*21*	**14,729,281**	14,729,281
Other intangible assets		**436,981**	1,177,476
Deferred tax assets	*22*	**19,568,335**	10,763,785
Other assets	*23*	**13,282,285**	42,791,685
TOTAL ASSETS		**1,368,685,874**	1,310,286,559
LIABILITIES			
Interest-bearing bank and other borrowings	*24*	**106,050,796**	50,067,361
Financial liabilities at fair value through profit or loss	*25*	**9,975,899**	—
Lease liabilities	*20*	**1,653,649**	152,214
Income tax payable		**15,229,808**	3,974,827
Provision	*8*	**12,670,258**	—
Deferred tax liabilities	*22*	**855,690**	4,951,836
Other payables	*26*	**14,705,427**	21,149,792
TOTAL LIABILITIES		**161,141,527**	80,296,030
NET ASSETS		**1,207,544,347**	1,229,990,529
EQUITY			
Share capital	*27*	**680,000,000**	680,000,000
Reserves	*28*	**158,155,618**	145,756,111
Retained profits		**263,424,641**	261,738,838
Equity attributable to owners of the parent		**1,101,580,259**	1,087,494,949
Non-controlling interests		**105,964,088**	142,495,580
TOTAL EQUITY		**1,207,544,347**	1,229,990,529

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

(Amounts expressed in RMB unless otherwise stated)

	Attributable to owners of the parent							
		Reserves						
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2020	680,000,000	69,383,972	57,494,289	16,276,267	257,244,237	1,080,398,765	148,467,025	1,228,865,790
Net profit and total comprehensive income for the year	—	—	—	—	41,096,184	41,096,184	12,784,555	53,880,739
Appropriation to surplus reserve	—	—	2,601,583	—	(2,601,583)	—	—	—
Distribution to shareholders *(Note 14)*	—	—	—	—	(34,000,000)	(34,000,000)	(18,756,000)	(52,756,000)
Balance as at 31 December 2020	680,000,000	69,383,972	60,095,872	16,276,267	261,738,838	1,087,494,949	142,495,580	1,229,990,529
Balance as at 1 January 2021	**680,000,000**	**69,383,972**	**60,095,872**	**16,276,267**	**261,738,838**	**1,087,494,949**	**142,495,580**	**1,229,990,529**
Net profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**42,078,731**	**42,078,731**	**19,878,000**	**61,956,731**
Appropriation to surplus reserve	**—**	**—**	**4,867,862**	**—**	**(4,867,862)**	**—**	**—**	**—**
Appropriation to general reserve	**—**	**—**	**—**	**1,525,066**	**(1,525,066)**	**—**	**—**	**—**
Equity transactions with non-controlling interests	**—**	**6,006,579**	**—**	**—**	**—**	**6,006,579**	**(39,372,792)**	**(33,366,213)**
Distribution to shareholders *(Note 14)*	**—**	**—**	**—**	**—**	**(34,000,000)**	**(34,000,000)**	**(17,036,700)**	**(51,036,700)**
Balance as at 31 December 2021	**680,000,000**	**75,390,551**	**64,963,734**	**17,801,333**	**263,424,641**	**1,101,580,259**	**105,964,088**	**1,207,544,347**

Consolidated Statement of Cash Flows

Year ended 31 December 2021

(Amounts expressed in RMB unless otherwise stated)

	Notes	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**82,202,711**	70,789,632
Adjustments for:			
Depreciation of property and equipment		**1,134,554**	736,923
Depreciation of repossessed assets		**337,804**	673,292
Depreciation of right-of-use assets		**803,287**	1,738,111
COVID-19-related rent concessions from lessors		**—**	(101,533)
Amortisation of other intangible assets		**719,929**	1,591,732
Impairment of loans and accounts receivable	*6*	**10,940,047**	69,124,865
Accreted interest on impaired loans		**(15,575,990)**	(22,311,384)
Provision for a contingent liability		**12,670,258**	—
Foreign exchange loss, net		**238,065**	350,124
Loss on disposals of items of property and equipment		**176,559**	136,138
Interest expense	*5*	**2,093,884**	2,705,872
Decrease/(Increase) in financial assets at fair value through profit or loss		**79,098,676**	(244,560,987)
Decrease in securities purchased under agreements to re-sell		**3,800,000**	26,100,000
(Increase)/Decrease in loans and accounts receivable		**(145,117,579)**	218,331,097
Decrease/(increase) in other assets		**27,333,928**	(41,397,384)
Increase in financial liabilities at fair value through profit or loss		**9,975,899**	—
(Decrease)/increase in other payables		**(6,376,085)**	8,868,766
Net cash flows from operating activities before tax		**64,455,947**	92,775,264
Income tax paid		**(20,980,510)**	(24,031,601)
Net cash flows from operating activities		**43,475,437**	68,743,663

	Notes	**2021**	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment, other intangible assets and other long-term assets		**(4,554,359)**	(9,736,823)
Disposal of items of property and equipment, other intangible assets and other long-term assets		**1,385,762**	1,864,157
Net cash flows used in investing activities		**(3,168,597)**	(7,872,666)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**105,988,296**	50,000,000
Repayment of bank borrowings		**(50,000,000)**	(70,000,000)
Interest paid		**(2,072,803)**	(2,720,167)
Principal portion of lease payments		**(559,947)**	(1,478,133)
Dividends paid	*14*	**(34,000,000)**	(34,000,000)
Dividends paid to non-controlling shareholders		**(17,036,700)**	(18,756,000)
Acquisition of non-controlling interests		**(33,366,213)**	—
Net cash flows used in financing activities	*29*	**(31,047,367)**	(76,954,300)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**9,259,473**	(16,083,303)
Cash and cash equivalents at beginning of year		**19,685,413**	36,118,840
Effect of foreign exchange rate changes, net		**(238,065)**	(350,124)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*16*	**28,706,821**	19,685,413

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION

The Company was established as a limited liability company in the People's Republic of China (the "**PRC**") on 8 January 2010. The Company is a joint stock company incorporated in the PRC and its registered office is located at 12th Floor, Former Finance Building, No. 361, Feng Ze Street, Quanzhou City, Fujian Province, the PRC.

During the year, the principal activity of the Company and its subsidiaries (collectively referred to as the "**Group**") was the provision of loans to small and medium enterprises ("**SMEs**"), microenterprises and entrepreneurial individuals, as well as automobile finance leasing, treasury operations and investment consulting services.

Information about subsidiaries

The particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation, and kind of legal entity	Registered capital	Paid-up capital	Percentage of ownership interest held by the Company Direct	Indirect	Principal activities and place of operation
Quanzhou Huixinxing Investment Co., Ltd.	Quanzhou, China Corporation	Renminbi ("**RMB**") 50,000,000	RMB50,000,000	100.0%	—	Investment advisory services, Quanzhou
Quanzhou Lianche Finance Leasing Co., Ltd.* (泉州市連車融資租賃有限公司) ("**Lianche**")	Quanzhou, China Corporation	United States dollars ("**USD**") 10,000,000	USD10,000,000	—	75.0%	Finance leasing, Quanzhou
Jinjiang Huixin Microfinance Co., Ltd.* (晉江市滙鑫小額貸款有限公司) ("**JJHX**")*	Jinjiang, China Corporation	RMB320,000,000	RMB320,000,000	76.8%	—	Provision of micro-credit, Jinjiang
Jinjiang Qiding Building Materials Co., Ltd.	Jinjiang, China Corporation	RMB5,000,000	RMB500,000	—	100.0%	Wholesale of building materials, Jinjiang
Jinjiang Houdexin Information Service Co., Ltd.	Jinjiang, China Corporation	RMB5,000,000	RMB500,000	—	100.0%	Information technology advisory services, Jinjiang
Hong Kong Huixinhang Co., Limited	Hong Kong, China Corporation	Hong Kong dollars ("**HKD**") 10,000,000	—	—	100.0%	Investment advisory services, Hong Kong
Fujian Huichangfu Real Estate Agency Co., Ltd.	Jinjiang, China Corporation	RMB10,000,000	RMB500,000	—	100.0%	Estate brokerage services, Jinjiang
Xiamen Anshenghe Trading Co., Ltd.	Xiamen, China Corporation	RMB5,078,000	RMB5,078,000	—	100.0%	Wholesale, Xiamen
Jinjiang Qinyuan Investment Consulting Co., Ltd.	Jinjiang, China Corporation	RMB5,000,000	RMB500,000	—	100.0%	Investment advisory services, Jinjiang

* In October 2021, the Company acquired an aggregate of 15% of the equity interests in JJHX from other shareholders with a consideration of RMB33,366,213, and made a capital injection of RMB130.2 million into JJHX in November. Upon completion of the acquisitions and the capital injection, the registered capital of JJHX increased from RMB200.0 million to RMB320.0 million, and the percentage of equity interest held by the Company increased to 76.8%.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial instruments which have been measured at fair value. These financial statements are presented in RMB.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same Reporting Period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

3.1 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4, and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

These amendments did not have any impact on the consolidated financial statements of the Groups.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and the amendment did not have any impact on the financial position and performance of the Group.

3.2 Issued but Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018–2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3.3 Summary of Significant Accounting Policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, financial assets and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The estimated useful lives, residual rates and annual depreciation rates used for this purpose are as follows:

Categories	Estimated useful life	Estimated residual rate	Annual depreciation rate
Buildings	20 years	5%	5%
Motor vehicles	4 years	5%	24%
Fixtures and furniture	3 to 10 years	0–5%	10% to 33%
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets	0%	Over the shorter period of the lease term and the useful life of the assets

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The estimated useful lives of intangible assets are as follows:

Category	**Estimated useful life**
Software	1 to 3 years

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in profit or loss so as to provide a constant periodic rate of return over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

The Group shall measure ECLs of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECLs, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

Financial liabilities

Initial recognition and measurement

The Group's financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include financial liabilities at fair value through profit or loss, other payables and interest-bearing bank loans and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Securities purchased under agreements to re-sell

The Group enters into purchases of securities under agreements to re-sell substantially identical securities. The amounts advanced under these agreements are classified as financial assets measured at amortised cost, and reflected as assets in the statement of financial position. The Group does not take physical possession of securities purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in interest expense in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Reporting Period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. When a loan has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash receipts for the purpose of measuring the impairment loss, i.e., the original effective interest rate.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Employee benefits

Employee retirement scheme

The employees of the Group which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute a certain percentage of payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The provision and contributions have been included in profit or loss upon incurrence. The Group has no obligation for the payment of pension benefits beyond the contributions described above.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi Yuan, which is the Group's functional currency. Foreign currency transactions recorded by the Group are initially recorded using its functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the Reporting Period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Repossessed assets

Repossessed assets are initially recognised at the lower of the fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession, and the related loans receivable together with the related impairment allowances are derecognised from the statement of financial position. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are presented as other assets.

3.4 Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Reporting Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on loans and accounts receivable

The Group's ECL calculations for loans and accounts receivable are outputs of internal models with a number of underlying assumptions regarding the choice of variable inputs. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns the probability of default ("**PD**") to the individual grades;

- The Group's criteria for assessing whether there has been a significant increase in credit risk;

- The segmentation of loans and accounts receivable when their ECLs are assessed on a collective basis;

- The development of the ECL models, including the various formulas and the choice of inputs; and

- The selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs to the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and to adjust them when necessary. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

Deferred tax assets and liabilities and current income tax charge

Uncertainties exist with respect to the interpretation of certain tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax credit and expense already recorded. The Group makes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and different interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretations may arise on a wide variety of issues depending on the conditions prevailing in the respective entities' domiciles.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair values of financial instruments determined using valuation techniques

If the market for a financial instrument is not active, the Group estimates the fair value by using valuation techniques. These include the use of recent arm's length transactions, option pricing models, and other valuation techniques commonly used by market participants.

The Group uses the valuation techniques commonly used by market participants to price financial instruments. For the description of valuation techniques, please refer to note 37. Using different valuation techniques and parameter assumptions may lead to some differences of fair value estimations.

Provision

The Group uses judgement to assess whether the Group has a present legal or constructive obligation as a result of past events at each financial reporting date, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation and relevant disclosure in the consolidated financial statements.

4. SEGMENT REPORTING

Almost all of the Group's revenue was generated from the micro-credit business. The Company's chief operating decision makers focus on the operating results of the Group as a whole. Accordingly, no segment analysis or information about the Group's products and services is presented.

Geographical information

Almost all of the Group's revenue generated from external customers and assets were located in Quanzhou City, Fujian Province in the PRC during the year.

5. INTEREST INCOME

	2021	2020
Interest income on:		
Loans and accounts receivable	**139,788,041**	146,251,252
Interest expense on:		
Bank loans	**(2,067,942)**	(2,679,454)
Lease liabilities	**(25,942)**	(26,418)
Interest income, net	**137,694,157**	143,545,380

6. IMPAIRMENT LOSSES ON LOANS AND ACCOUNTS RECEIVABLE

The table below shows the ECL charges on the financial instruments for the year recorded in profit or loss:

Year ended 31 December 2021

	Stage 1 Collective	**Stage 2 Collective**	**Stage 3**	**Total**
Loans and accounts receivable	**1,466,714**	**(4,616,933)**	**14,090,266**	**10,940,047**
Total impairment losses	**1,466,714**	**(4,616,933)**	**14,090,266**	**10,940,047**

Year ended 31 December 2020

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Loans and accounts receivable	(855,261)	(3,497,734)	73,477,860	69,124,865
Total impairment losses	(855,261)	(3,497,734)	73,477,860	69,124,865

7. NET INVESTMENT (LOSSES)/GAINS

	2021	2020
Dividend and other income	**7,162,454**	7,027,698
Net realised gains		
Financial assets at fair value through profit or loss	**11,327,242**	3,087,404
Unrealised (losses)/gains		
Financial assets at fair value through profit or loss	**(26,452,589)**	10,332,029
Financial liabilities at fair value through profit or loss	**(1,131,899)**	—
Total	**(9,094,792)**	20,447,131

8. PROVISION FOR A CONTINGENT LIABILITY

	2021	2020
Litigation:		
At the beginning of the year	**—**	—
Additional provision	**12,670,258**	—
At the end of the year	**12,670,258**	—

In April 2019, the Company repossessed a 10% interest in Xiamen Xiangyu Xinghong Technology Development Co., Ltd. (廈門象嶼興泓科技發展有限公司) ("**Xiangyu Xinghong**") as a settlement for its non-performing loans with carrying amount of RMB12.7million. The interest in Xianyu Xinghong was designated as a financial asset at fair value through profit or loss.

In November 2020, the Company was sued by Xiangyu Xinghong, as one of the defendants to fulfill its obligation of capital contribution to Xiangyu Xinghong with an amount of RMB12.0 million plus interests. As disclosed in note 16, a deposit with an amount of RMB12,191,129 was frozen by the court in 2020.

In November 2021, the court rendered the judgement of the aforesaid civil lawsuit and required the Company to fulfil its capital contribution obligation as a shareholder of Xiangyu Xinghong. In December 2021, the Company appealed to the High People's Court of Fujian Province (福建省最高人民法院) ("**Fujian High Court**") regarding the civil lawsuit.

As the date of approval of the financial statements, the appeal was pending for Fujian High Court ruling.

Based on the assessment of the latest developments in the relevant litigation and arbitration, together with the information currently obtained, the Group made a provision for contingent liabilities amounting to RMB12,670,258 as of 31 December 2021 (31 December 2020: Nil) in accordance with the relevant provisions of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

9. OTHER INCOME AND GAINS, NET

	2021	2020
Government grants	**1,131,423**	1,669,513
Interest from bank deposits	**415,392**	177,895
Others	**1,556,551**	1,163,829
Total	**3,103,366**	3,011,237

10. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2021	2020
Depreciation and amortisation	**2,995,574**	4,740,058
Staff costs:		
Salaries, bonuses and allowances	**12,282,826**	11,999,135
Other social welfare	**2,222,315**	1,517,103
Impairment losses on loans and accounts receivable	**10,940,047**	69,124,865
Auditor's remuneration	**1,415,094**	1,367,925

11. DIRECTORS' AND SUPERVISORS' REMUNERATION

The Company did not have a chief executive at any time during the year. Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December 2021			
Name	**Fees**	**Salaries, allowances and benefits in kind**	**Contributions to a defined contribution scheme**	**Total**
Executive Directors				
Zhou Yongwei	—	—	—	—
Wu Zhirui	—	**984,400**	**55,257**	**1,039,657**
Yan Zhijiang	—	**585,050**	**55,735**	**640,785**
Liu Aiqin	—	**507,260**	**55,735**	**562,995**
Non-executive Directors				
Cai Rongjun	—	—	—	—
Jiang Haiying	—	—	—	—
Independent Non-executive Directors				
Zhang Lihe	**83,762**	—	—	**83,762**
Sun Leland Li Hsun	**83,762**	—	—	**83,762**
Lin Jianguo	**83,762**	—	—	**83,762**
Supervisors				
Li Jiancheng	—	—	—	—
Hong Lijun[1]	—	—	—	—
Wang Shijie[2]	**5,528**	**289,974**	**32,887**	**328,389**
Ruan Cen	**10,000**	**171,759**	**32,743**	**214,502**
Wu Lindi	**20,000**	—	—	**20,000**
Chen Jinzhu	**20,000**	—	—	**20,000**
	306,814	**2,538,443**	**232,357**	**3,077,614**

1 Resigned as a supervisor in June 2021

2 Appointed as a supervisor in June 2021

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

Name	Fees	Salaries, allowances and benefits in kind	Contributions to a defined contribution scheme	Total
	Year ended 31 December 2020			
Executive Directors				
Zhou Yongwei	—	—	—	—
Wu Zhirui	—	945,826	37,443	983,269
Yan Zhijiang	—	533,100	38,451	571,551
Liu Aiqin	—	393,694	38,451	432,145
Non-executive Directors				
Cai Rongjun	—	—	—	—
Jiang Haiying	—	—	—	—
Independent Non-executive Directors				
Zhang Lihe	89,829	—	—	89,829
Sun Leland Li Hsun	89,829	—	—	89,829
Lin Jianguo	89,829	—	—	89,829
Supervisors				
Li Jiancheng	—	—	—	—
Hong Lijun	10,000	282,240	30,193	322,433
Ruan Cen	10,000	142,108	19,711	171,819
Wu Lindi	20,000	—	—	20,000
Chen Jinzhu	20,000	—	—	20,000
	329,487	2,296,968	164,249	2,790,704

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included three directors (2020: three Directors), details of whose remuneration are set out in note 11 above. Details of the remuneration for the year of the remaining two (2020: two) highest paid employees who are neither a Director nor supervisor of the Company are as follows:

	2021	2020
Salaries, allowances and benefits in kind	**803,350**	890,300
Contributions to a defined contribution scheme	**88,910**	55,075
Total	**892,260**	945,375

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following band is as follows:

	Number of individuals	
	2021	2020
Nil to RMB1,000,000	**2**	2

13. INCOME TAX EXPENSE

	2021	2020
Current income tax	**33,146,676**	19,654,626
Deferred income tax	**(12,900,696)**	(2,745,733)
Total	**20,245,980**	16,908,893

The Group conducts all of its businesses in Mainland China and the applicable income tax rate is generally 25% in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdiction in which the Group is domiciled to the tax expense at the effective tax rate is as follows:

	2021	2020
Profit before tax	**82,202,711**	70,789,632
Tax at the applicable tax rate of 25%	**20,550,678**	17,697,408
Lower tax rate for specific provinces or enacted by local authority	**509,703**	(1,048,594)
Adjustments in respect of current tax of previous periods	**118,977**	255,833
Income not subject to tax	**(866,094)**	(133,804)
Expenses not deductible for tax purposes	**86,128**	46,880
Effect of change in tax rate on deferred tax	**(155,720)**	—
Tax losses not recognised	**2,308**	91,170
Total tax expense for the year at the Group's effective tax rate	**20,245,980**	16,908,893

14. DIVIDENDS

Pursuant to the resolution of the annual general meeting of the Company held on 11 June 2021, the Company distributed cash dividends of RMB34.0 million to the shareholders for the year ended 31 December 2020.

Pursuant to the resolution of the Board passed on 29 March 2022, a final dividend of approximately RMB34.0 million (equivalent to RMB0.05 per share (including tax)) was proposed after the appropriation of the statutory surplus reserve and general reserve and is subject to approval by shareholders at the forthcoming annual general meeting.

15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to shareholders of the parent, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during the year.

	2021	2020
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**42,078,731**	41,096,184
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**680,000,000**	680,000,000
Basic and diluted earnings per share	**0.06**	0.06

16. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash on hand	**26,848**	49,727
Cash at banks	**39,518,381**	31,366,248
Cash equivalents	**1,352,721**	460,567
Cash and cash equivalents in the statement of financial position	**40,897,950**	31,876,542
Less: restricted current deposit	**(12,191,129)**	(12,191,129)
Cash and cash equivalents in the statement of cash flows	**28,706,821**	19,685,413

At the end of the Reporting Period, the cash and bank balances of the Group denominated in USD amounted to RMB 5,031,683 (2020: RMB6,268,141). Cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 31 December 2021 and 31 December 2020, the restricted current deposit represents the deposit frozen by a court in connection with a lawsuit as disclosed in note 8.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**31 December 2021**	31 December 2020
At fair value through profit or loss			
Wealth management products	*(a)*	**24,324,576**	131,435,292
Listed equity investments	*(b)*	**168,204,322**	203,497,188
Listed funds		**6,776,190**	8,817,839
Designated as at fair value through profit or loss	*(c)*		
Unlisted equity investments and private equity funds		**41,235,751**	19,089,196
Purchased non-performing loans ("**NPLs**")		**43,200,000**	—
Total		**283,740,839**	362,839,515

(a) Wealth management products purchased from time to time, which are held for a relatively short period of time, were offered by licensed commercial banks in the PRC. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(b) The listed equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

As at 31 December 2021, included in the Group's listed equity investments were restricted shares with lock-up periods of RMB32,083,747 (31 December 2020: Nil).

(c) The unlisted equity investments, private equity funds and purchased NPLs were designated as at fair value through profit or loss on the basis that they are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Group.

18. LOANS AND ACCOUNTS RECEIVABLE

	31 December 2021	31 December 2020
Loans receivable	**1,043,715,277**	876,020,275
Lease receivables	**1,220,260**	11,210,561
Less: Unearned finance income	**(118,104)**	(735,504)
Net lease receivables	**1,102,156**	10,475,057
Less: Allowance for impairment		
— Individually assessed	**(46,676,073)**	(34,957,275)
— Collectively assessed	**(14,852,228)**	(18,002,447)
Total	**983,289,132**	833,535,610

The Group seeks to maintain strict control over its outstanding loans receivable to minimise credit risk. Overdue balances are reviewed regularly by management.

The Group's loans receivable consisted of credit loans, guaranteed loans and collateral-backed loans. As at 31 December 2021, 23.3% (31 December 2020: 34.6%) of loans receivable were guaranteed loans, and 71.5% (31 December 2020: 64.8%) of loans receivable were collateral-backed loans. As at 31 December 2021, the Group's loans receivable include an amount of RMB63 million (31 December 2020: Nil) to customers for their purpose of purchasing NPLs from asset management companies.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and accounts receivable is as follows:

	Stage 1 Collective	**Stage 2 Collective**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	767,888,075	323,239,966	73,490,183	1,164,618,224
New	1,098,464,816	—	—	1,098,464,816
Derecognised (excluding write-off)	(1,260,431,475)	(51,773,106)	(4,735,330)	(1,316,939,911)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(61,979,464)	61,979,464	—	—
Transfer to Stage 3	(7,719,090)	(166,153,948)	173,873,038	—
Write-off	—	—	(60,647,797)	(60,647,797)
Recovery of loans and accounts receivable written-off	—	—	1,000,000	1,000,000
At 31 December 2020	536,222,862	167,292,376	182,980,094	886,495,332
New	**2,201,177,471**	**—**	**—**	**2,201,177,471**
Derecognised (excluding write-off)	**(1,996,731,920)**	**(23,627,520)**	**(35,700,452)**	**(2,056,059,892)**
Transfer to Stage 1	**—**	**—**	**—**	**—**
Transfer to Stage 2	**(63,264,636)**	**63,264,636**	**—**	**—**
Transfer to Stage 3	**(3,325,136)**	**(53,314,500)**	**56,639,636**	**—**
Write-off	**—**	**—**	**(741,114)**	**(741,114)**
Recovery of loans and accounts receivable written-off	**—**	**—**	**13,945,636**	**13,945,636**
At 31 December 2021	**674,078,641**	**153,614,992**	**217,123,800**	**1,044,817,433**

The Group has conducted an assessment of ECL according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards, such as criteria for judging significant increases in credit risk, definition of credit-impaired financial assets, parameters for measuring ECLs and forward-looking information.

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
ECL allowance as at 1 January 2020	4,245,930	18,109,512	43,438,596	65,794,038
Net charge/(reversal) of the impairment	(515,008)	566,079	47,081,878	47,132,949
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(302,321)	302,321	—	—
Transfer to Stage 3	(37,932)	(9,762,287)	9,800,219	—
Accreted interest on impaired loans	—	—	(22,311,384)	(22,311,384)
Impact on year end ECLs of exposures transferred between stages during the year	—	5,396,153	16,595,763	21,991,916
Write-off and transfer out	—	—	(60,647,797)	(60,647,797)
Recovery of loans and accounts receivable written off	—	—	1,000,000	1,000,000
At 31 December 2020	3,390,669	14,611,778	34,957,275	52,959,722
Net charge/(reversal) of the impairment	**2,158,982**	**(4,491,072)**	**8,343,566**	**6,011,476**
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	**(669,553)**	**669,553**	**—**	**—**
Transfer to Stage 3	**(22,715)**	**(4,860,901)**	**4,883,616**	**—**
Accreted interest on impaired loans	**—**	**—**	**(15,575,990)**	**(15,575,990)**
Impact on year end ECLs of exposures transferred between stages during the year	**—**	**4,065,487**	**863,084**	**4,928,571**
Write-off and transfer out	**—**	**—**	**(741,114)**	**(741,114)**
Recovery of loans and accounts receivable written off	**—**	**—**	**13,945,636**	**13,945,636**
At 31 December 2021	**4,857,383**	**9,994,845**	**46,676,073**	**61,528,301**

The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following consecutive accounting years:

	31 December 2021	31 December 2020
Lease receivables		
Due within 1 year	**1,096,612**	10,389,311
Due in 1 to 2 years	**81,596**	821,250
Due in 2 to 3 years	**42,052**	—
	1,220,260	11,210,561

	31 December 2021	31 December 2020
Net lease receivables		
Due within 1 year	**1,004,101**	9,696,680
Due in 1 to 2 years	**57,624**	778,377
Due in 2 to 3 years	**40,431**	—
	1,102,156	10,475,057

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that was needed to be recorded as at the end of the Reporting Period.

19. PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Fixtures and furniture	Leasehold improvements	Total
Cost:					
At 1 January 2020	—	1,532,901	1,572,232	2,725,777	5,830,910
Additions	6,917,546	—	1,433,416	—	8,350,962
Disposals	—	—	(57,401)	—	(57,401)
At 31 December 2020	**6,917,546**	**1,532,901**	**2,948,247**	**2,725,777**	**14,124,471**
Additions	**210,734**	**—**	**1,115,101**	**2,555,049**	**3,880,884**
Disposals	**—**	**—**	**(263,256)**	**—**	**(263,256)**
At 31 December 2021	**7,128,280**	**1,532,901**	**3,800,092**	**5,280,826**	**17,742,099**
Accumulated depreciation:					
At 1 January 2020	—	1,283,024	1,238,607	2,388,459	4,910,090
Depreciation charge for the year	24,182	93,426	281,997	337,318	736,923
Disposals	—	—	(45,026)	—	(45,026)
At 31 December 2020	24,182	1,376,450	1,475,578	2,725,777	5,601,987
Depreciation charge for the year	**339,303**	**79,806**	**382,320**	**333,125**	**1,134,554**
Disposals	**—**	**—**	**(237,743)**	**—**	**(237,743)**
At 31 December 2021	**363,485**	**1,456,256**	**1,620,155**	**3,058,902**	**6,498,798**
Net carrying amount:					
At 31 December 2021	**6,764,795**	**76,645**	**2,179,937**	**2,221,924**	**11,243,301**
At 31 December 2020	6,893,364	156,451	1,472,669	—	8,522,484

20. LEASES

The Group as a lessee

The Group has lease contracts for various items of property used in its operations. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) ***Right-of-use assets***

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties
At 1 January 2020	1,930,175
Additions	58,117
Depreciation charge	(1,738,111)
At 31 December 2020	250,181
Additions	2,055,628
Depreciation charge	(803,287)
Termination	(4,752)
At 31 December 2021	1,497,770

(b) ***Lease liabilities***

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease liabilities
Carrying amount at 1 January 2020	1,647,345
New leases	58,117
Accretion of interest recognised during the year	26,418
COVID-19-related rent concessions from lessors	(101,533)
Payments	(1,478,133)
Carrying amount at 31 December 2020	152,214
New leases	2,055,628
Accretion of interest recognised during the year	25,942
Disposals and others	(20,188)
Payments	(559,947)
Carrying amount at 31 December 2021	1,653,649

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021	2020
Interest on lease liabilities	**25,942**	26,418
Depreciation charge for right-of-use assets	**803,287**	1,738,111
Expense relating to short-term leases	**—**	201,019
COVID-19-related rent concessions from lessors	**—**	(101,533)
Total amount recognised in profit or loss	**829,229**	1,864,015

(d) The total cash outflow for leases is disclosed in note 29(c) to the financial statements. At 31 December 2021, there were no future cash outflows relating to leases that have not yet commenced.

21. GOODWILL

Cost at 1 January 2020, net of accumulated impairment	14,729,281
Impairment during the year	—
At 31 December 2020	14,729,281
At 31 December 2020:	
Cost	16,950,298
Accumulated impairment	(2,221,017)
Net carrying amount	14,729,281
Cost at 1 January 2021, net of accumulated impairment	14,729,281
Impairment during the year	—
At 31 December 2021	14,729,281
At 31 December 2021:	
Cost	16,950,298
Accumulated impairment	(2,221,017)
Net carrying amount	14,729,281

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the acquired subsidiaries as the cash-generating unit for impairment testing.

- Finance lease cash-generating unit; and
- Micro-credit cash-generating unit.

Finance lease cash-generating unit

In 2019, the Group assessed the impairment of goodwill and determined that the carrying amount of goodwill of RMB2,221,017 arising from the acquisition of Lianche was higher than its recoverable amount. As a result, an impairment loss of RMB2,221,017 was recognised.

Micro-credit cash-generating unit

The recoverable amount of the micro-credit cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13%. As at 31 December 2021, the Group assessed that the impairment of goodwill and the recoverable amount exceeded the carrying amount, and hence the goodwill was not regarded as impaired.

The carrying amounts of goodwill allocated to each of the cash-generating units are as follow:

	31 December 2021	31 December 2020
Finance lease	**2,221,017**	2,221,017
Micro-credit	**14,729,281**	14,729,281
Less: Accumulated impairment	**(2,221,017)**	(2,221,017)
	14,729,281	14,729,281

Assumptions were used in the value-in-use calculation for 31 December 2021. The following describes the key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate — The discount rate used reflects specific risks relating to the relevant unit.

The values assigned to the discount rate is comparable with external information sources.

22. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Gross deferred tax assets

	Impairment allowance for loans	Fair value adjustments of financial assets at fair value through profit or loss	Fair value adjustments of financial liabilities at fair value through profit or loss	Recoverable loss	Provision for contingent liabilities	Total
At 1 January 2020	3,149,311	33,382	—	380	—	3,183,073
Recognised in profit or loss	4,550,791	3,030,301	—	(380)	—	7,580,712
At 31 December 2020	**7,700,102**	**3,063,683**	**—**	**—**	**—**	**10,763,785**
Recognised in profit or loss	**3,601,653**	**2,180,757**	**282,975**	**—**	**3,167,564**	**9,232,949**
At 31 December 2021	**11,301,755**	**5,244,440**	**282,975**	**—**	**3,167,564**	**19,996,734**

Gross deferred tax liabilities

	Fair value adjustments of financial assets at fair value through profit or loss	Total
At 1 January 2020	116,857	116,857
Recognised in profit or loss	4,834,979	4,834,979
At 31 December 2020	**4,951,836**	**4,951,836**
Recognised in profit or loss	**(3,667,747)**	**(3,667,747)**
At 31 December 2021	**1,284,089**	**1,284,089**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021	2020
Net deferred tax assets recognised in the consolidated statement of financial position	**19,568,335**	10,763,785
Net deferred tax liabilities recognised in the consolidated statement of financial position	**855,690**	4,951,836

The Group has tax losses arising in Mainland China of RMB546,711 (2020: RMB400,787) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

23. OTHER ASSETS

	Notes	**31 December 2021**	31 December 2020
Repossessed assets	*(a)*	**8,693,046**	10,505,899
Prepaid tax		**327,789**	1,243,280
Deposit payment	*(b)*	**2,600,000**	30,000,000
Other receivables		**680,267**	604,807
Deferred and prepaid expenses		**981,183**	437,699
		13,282,285	42,791,685

Notes:

(a) Repossessed assets are properties located at Quanzhou City, Fujian Province in the PRC. The contracts which effect the repossession of the properties have been signed and registered with the local authority. The certificates of some properties with a carrying amount of RMB8,060,000 (31 December 2020: RMB8,060,000) have not been obtained because these properties are still under development.

(b) As at 31 December 2021, deposit payments represents deposit paid to the bankruptcy administrator of Sichuan Shinpire Ganoderma Incidum Group Co., Ltd, a company that is currently undergoing bankruptcy and restructuring. In November 2021, the bankruptcy administrator initiated a process to publicly solicit investors to participate in the restructuring of the company. A deposit of RMB2.6 million is required in order to participate in this process, which will be returned if the participants did not become the company's investors. As the date of approval of the financial statements, this transaction was still in progress.

As at 31 December 2020, deposit payments mainly are deposits of NPL transactions. The Group entered into agreements to purchase NPL portfolios from a third party and paid deposits of RMB30,000,000. At the same time, the Group transferred NPL portfolios to some individual investors and received deposits of RMB12,870,000 as disclosed in note 26.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021	31 December 2020
Guaranteed bank loans repayable:		
Within one year	**98,062,500**	50,067,361
Margin loans payable:		
Within one year	**7,988,296**	—
	106,050,796	50,067,361

As at 31 December 2021, the annual interest rates of the loans above were 4.50%, 5.00% and 5.30% (31 December 2020: 4.85%).

The interest-bearing bank borrowings of RMB98 million as at 31 December 2021 were guaranteed by one of the shareholders, Fujian Septwolves Group Co., Ltd. (福建七匹狼集團有限公司) ("**Septwolves Group**").

The margin loans payable of RMB8.0 million as at 31 December 2021 were secured by the pledge of certain listed equity investments amounting to RMB38,404,305.

25. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021	31 December 2020
Designated as at fair value through profit or loss		
Liabilities associated with transferred financial assets that were not derecognised	**9,975,899**	—

The liabilities associated with transferred financial assets that were not derecognised were designated as at fair value through profit or loss as the transferred financial assets were measured on a fair value basis, in accordance with risk management and investment strategies of the Group. Please refer to note 35 for more details.

26. OTHER PAYABLES

	31 December 2021	31 December 2020
Payrolls payable	**4,381,584**	3,507,443
Value-added tax, and surcharges payable	**2,434,942**	1,850,489
Deposits received*	**4,910,000**	13,670,000
Others	**2,978,901**	2,121,860
	14,705,427	21,149,792

* As at 31 December 2020, the balance mainly includes deposits of RMB12,870,000 received in connection with the transfer of part of the NLP portfolios, as disclosed in note 23(b).

27. SHARE CAPITAL

	31 December 2021	31 December 2020
Issued and fully paid ordinary shares of RMB1 each	**680,000,000**	680,000,000

28. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity.

Capital reserve

The capital reserve comprises share premium, which represents the difference between the par value of the shares of the Group and the proceeds received from the issuance of the shares of the Company.

Surplus reserve

The surplus reserve comprises the statutory surplus reserve and the discretionary surplus reserve.

The entities established in the PRC are required to appropriate 10% of their net profit, as determined under China Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance of the PRC, to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Subject to the approval of equity holders of the entities established in the PRC, the statutory surplus reserve may be used to net off against accumulated losses, if any, and may be converted into capital, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

After making the appropriation to the statutory surplus reserve, the Company and its subsidiaries may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, the discretionary surplus reserve may be used to make good previous years' losses, if any, and may be converted into capital.

General reserve

In accordance with the relevant regulations, the Company and one of its subsidiaries JJHX are required to set aside a general reserve through appropriations of profit after tax on an annual basis, and the balance of the general reserve should reach 1.5% of its risk assets. Such reserve is not available for profit distribution or transfer to capital. As at 31 December 2021, the balance of the general reserve of the Group was RMB17.8 million (31 December 2020: RMB16.3 million), which is not lower than 1.5% of its risk assets.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,055,628 (2020: RMB58,117) and RMB2,055,628 (2020: RMB58,117), respectively, in respect of lease arrangements for properties.

(b) Changes in liabilities arising from financing activities

	Bank borrowings and interest payable	Lease liabilities	Amounts due to shareholders	Amounts due to non-controlling shareholders
At 1 January 2021	**50,067,361**	**152,214**	**—**	**—**
Changes from financing cash flows	**53,915,493**	**(559,947)**	**(34,000,000)**	**(50,402,913)**
New leases	**—**	**2,055,628**	**—**	**—**
Disposals and others	**—**	**(20,188)**	**—**	**—**
2020 final dividends payable	**—**	**—**	**34,000,000**	**17,036,700**
Acquisition of non-controlling interests	**—**	**—**	**—**	**33,366,213**
Interest expense	**2,067,942**	**25,942**	**—**	**—**
At 31 December 2021	**106,050,796**	**1,653,649**	**—**	**—**

	Bank borrowings and interest payable	Lease liabilities	Amounts due to shareholders	Amounts due to non-controlling shareholders
At 1 January 2020	70,108,074	1,647,345	—	—
Changes from financing cash flows	(22,720,167)	(1,478,133)	(34,000,000)	(18,756,000)
New leases	—	58,117	—	—
COVID-19-related rent concessions from lessors	—	(101,533)	—	—
2019 final dividends payable	—	—	34,000,000	18,756,000
Interest expense	2,679,454	26,418	—	—
At 31 December 2020	50,067,361	152,214	—	—

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021	2020
Within financing activities	**559,947**	1,478,133

30. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel of the Group

	2021	2020
Salaries and other short-term employee benefits	**2,243,437**	2,177,349

Further details of non-executive Directors' and supervisors' emoluments are included in note 11 to the consolidated financial statements.

(b) Loan guarantee

The interest-bearing bank borrowings of RMB98.0 million as at 31 December 2021 (31 December 2020: RMB50.0 million) were guaranteed by Septwolves Group. The guarantee fee of RMB283,396 (2020: RMB204,616) was accrued during the year, which was based on a fixed rate of the balance of the interest-bearing borrowings.

(c) Loan facilitation services

During the year, the Group provided loan facilitation services to a related party, Fujian Baiying Pawn Co., Ltd., (former name: Fujian Yuanheng Pegadaian Co., Ltd.,) and received a fee of RMB84,257 (2020: RMB34,608).

(d) Lease and property management fee

The Group has signed a lease agreement with Xiamen Septwolves Asset Management Co., Ltd.* (廈門七匹狼資產管理有限公司) ("**Septwolves AMC**"), a subsidiary of Septwolves Group. During the year, the Group paid Septwolves AMC RMB120,000 (2020: RMB128,250) for the rent.

During the year, a property management fee of RMB41,729 (2020: RMB56,447) was paid to Xiamen Huakaifugui Property Management Co., Ltd., a subsidiary of Septwolves Group.

(e) Outstanding balances with related parties

As at 31 December 2021, the Group prepaid a guarantee fee to Septwolves Group, with the outstanding balance of RMB109,912 (31 December 2020: balance due to Septwolves Group of RMB171,516). The balance is both unsecured and interest-free.

31. CONTINGENT LIABILITIES

As at 31 December 2021, there were no significant contingent liabilities except as disclosed in note 8.

32. COMMITMENTS

The Group had the following capital commitments at the end of the Reporting Period:

	31 December 2021	31 December 2020
Contracted, but not provided for:		
Leasehold Improvements	**74,037**	203,248
Software	**204,500**	680,000
	278,537	883,248

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Reporting Period are as follows:

	31 December 2021	31 December 2020
Financial assets		
Financial assets at fair value through profit or loss	**283,740,839**	362,839,515
Financial assets at amortised cost		
— Cash and cash equivalents	**40,897,950**	31,876,542
— Securities purchased under agreements to re-sell	**—**	3,800,000
— Loans and accounts receivable	**983,289,132**	833,535,610
— Other receivables	**3,280,267**	30,604,807
	1,311,208,188	1,262,656,474
Financial liabilities		
Financial liabilities at fair value through profit or loss	**9,975,899**	—
Financial liabilities at amortised cost		
— Interest-bearing bank and other borrowings	**106,050,796**	50,067,361
— Other payables	**7,888,901**	15,791,860
	123,915,596	65,859,221

34. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments include credit risk, foreign currency risk, interest rate risk, price risk and liquidity risk. The Group has no significant exposures to other financial risks except as disclosed below. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. The Group manages the loans granted to SMEs, microenterprises and entrepreneurial individuals with the same policies and procedures.

The principal features of the Group's credit risk management function include:

- Centralised credit management procedures; and
- Risk management policies and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit assessment, granting of credit limits, loan evaluation, loan review and approval, granting of loans and post-disbursement loan monitoring.

In the lending business, the Group adopts a loan classification approach to manage its loan portfolio risk. The Group's loans are categorised as "normal", "special-mention", "substandard", "doubtful" or "loss" according to their levels of risk. The core definitions of the five categories of loans receivable are set out below:

- Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay the principal and interest in full on a timely basis.
- Special-mention: Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
- Substandard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay the principal and interest. Losses may ensue even when collateral or guarantees are invoked.
- Doubtful: Borrowers cannot repay the principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
- Loss: Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

To strengthen the credit risk management practices, the Group also launches training programmes periodically for credit officers at different levels.

The Group is exposed to credit risk primarily associated with cash at banks, securities purchased under agreements to re-sell, loans and accounts receivable and other receivables. The credit risk of these assets mainly arises from the counterparties' failure to discharge their contractual obligations and the maximum exposure equals the carrying amount.

Impairment assessment

The main consideration for the loan impairment assessment includes whether any payments of principal or interest are overdue or whether there are any liquidity problems of counterparties, credit rating downgrades, or infringement of the original terms of the contract.

The Group conducts an assessment of ECLs according to forward-looking information and uses complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial assets
- Parameters for measuring ECLs
- Forward-looking information

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of each reporting period. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and supportable information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, internal rating grade, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of each reporting period with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the increase in the remaining lifetime probability of default is considered significant comparing with the one at initial recognition.

Qualitative criteria

- Significant adverse change in debtors' operation or financial status.
- Be classified into the Special Mention category within the five-tier loan classification.

Backstop criteria

- The debtor's contractual payments (including principal and interest) are more than 30 days past due.

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under HKFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Internal rating of the borrower indicating default or near-default;

- Significant financial difficulty of the issuer or the customer;

- The debtor leaves any of the loans receivable of the Group overdue for more than 90 days; and

- It is becoming probable that the customer will enter bankruptcy or other financial restructuring.

The credit impairment of a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event. For credit-impaired financial assets, the Group mainly evaluate the future cash flows (including the recoverable value of the collateral held) in different circumstances on an individual basis. Expected credit losses are measured as the differences between the present value of estimated cash flows discounted at the original effective interest rate and the asset's gross carrying amount. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Parameters of ECL measurement

Based on whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss on different assets with ECLs of 12 months or the entire lifetime respectively. The key measuring parameters of ECLs include PD, loss given default ("**LGD**") and exposure at default ("**EAD**"). The Group takes into account the quantitative analysis of historical statistics (such as the internal rating grade, manners of guarantees and types of collateral, and repayments) and forward-looking information in order to establish the models of PD, LGD and EAD.

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the internal rating grade, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time PD under the current macroeconomic environment.

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of the counterparty, the method and priority of the recourse, and the type of collateral, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime.

- EAD is the amount that the Group should reimburse at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

Both of the assessment of a significant increase in credit risk and the calculation of ECLs involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs, such as GDP growth, central bank base rates and price indices.

Collateral and other credit enhancements

The amount and the type of collateral required depend on the assessment of the credit risk of the counterparty.

Guidelines are in place covering the acceptability and valuation of each type of collateral.

The collateral obtained by the Group mainly consists of mortgages on land use rights, building ownership rights or equipment and pledges of shares. All collateral is registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of the collateral regularly.

Although collateral can mitigate credit risk to a certain extent, the Group mostly grants loans based on the assessment of the borrowers' ability to meet obligations out of their cash flows, instead of the value of collateral. The necessity of collateral is dependent on the nature of the loan. In the event of default, the Group might sell the collateral for repayment. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.

The tables below summarise the gross carrying amount of impaired loans by type of collateral, guarantee and overdue period.

	31 December 2021				
	Not overdue	**Overdue for 3 months or less**	**Overdue for 3 to 12 months**	**Overdue for more than 1 year**	**Total**
Guaranteed loans	**—**	**—**	**83,500,000**	**35,203,275**	**118,703,275**
Collateral-backed loans with guarantees	**—**	**279,253**	**23,014,500**	**75,126,772**	**98,420,525**
Total	**—**	**279,253**	**106,514,500**	**110,330,047**	**217,123,800**

	31 December 2020				
	Not overdue	Overdue for 3 months or less	Overdue for 3 to 12 months	Overdue for more than 1 year	Total
Guaranteed loans	—	11,133,473	72,000,000	4,925,446	88,058,919
Collateral-backed loans with guarantees	—	62,659,018	14,164,746	18,097,411	94,921,175
Total	—	73,792,491	86,164,746	23,022,857	182,980,094

Credit quality of loans receivable

A loan or advance is identified as an impaired loan if there is objective evidence indicating that the loan's estimated future cash flows are influenced by one or several factors and the impact can be estimated reliably. The Group closely monitors the credit quality of the loans, and uses measures such as disposal of impaired loans to mitigate the overall credit risk exposure.

The Group manages the credit quality of financial assets using credit ratings. The table below shows the credit quality of loans receivable exposed to credit risk, based on the Group's credit rating system. The amounts presented are gross of impairment allowances.

	Neither past due nor impaired	**Past due but not impaired**	**Individually impaired**	**Total**
31 December 2021	**826,208,633**	**1,485,000**	**217,123,800**	**1,044,817,433**
31 December 2020	693,095,238	10,420,000	182,980,094	886,495,332

According to past experience, the Group does not recognise individual allowance for these loans receivable that are neither past due nor impaired or past due but not impaired since there is no significant change in credit quality and the amount is expected to be recovered in full.

Analysis of risk concentration

Since the loans are granted to third parties whose creditworthiness has been assessed by the Group, no collateral is required in certain cases. The Group manages its exposure to the concentration of credit risk by diversifying its portfolio in terms of customer type and industry. Because its business operations are subject to the geographic restrictions of its operating licence, the Group is exposed to the credit risk of geographic concentration. However, although its customers are concentrated in Quanzhou City, the Group provides loans to a wide variety of customers that operate in different industries in order to mitigate its exposure to such risk.

Maximum exposure to credit risk before collateral held or other enhancements

The table below shows the maximum exposure to credit risk based on the Group's credit policy.

	31 December 2021	31 December 2020
Cash and cash equivalents*	**40,871,102**	31,826,815
Securities purchased under agreements to re-sell	**—**	3,800,000
Loans and accounts receivable	**983,289,132**	833,535,610
Other receivables	**3,280,267**	30,604,807
Total	**1,027,440,501**	899,767,232

* Excluding cash on hand

The table above represents the worst-case scenario of credit risk exposure of the Group as at 31 December 2021 and 2020, without taking into account any collateral held, or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

(b) Foreign currency risk

The Group operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain bank deposits denominated in HKD and USD.

The following table demonstrates the sensitivity at the end of the Reporting Period to a reasonably possible change in the HKD and USD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets) and the Group's equity.

2021

Changes in exchange rates	**Impact on profit before tax**	**Impact on equity**
5% appreciation against RMB	**3,274,578**	**3,274,578**
5% depreciation against RMB	**(3,274,578)**	**(3,274,578)**

2020

Changes in exchange rates	Impact on profit before tax	Impact on equity
5% appreciation against RMB	4,510,747	4,510,747
5% depreciation against RMB	(4,510,747)	(4,510,747)

The above impact on equity represents adjustments to profit before tax.

(c) Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its cash at banks, loans and accounts receivable and interest-bearing bank borrowings and other borrowings. The majority of the Group's loans and accounts receivable bear interest at fixed rates. They are mostly influenced by the mismatch of the repricing dates of interest-generating assets and interest-bearing liabilities. The Group does not use derivative financial instruments to manage its interest rate risk.

The table below analyses the Group's interest rate risk exposure on financial assets and liabilities.

The assets and liabilities are included at the carrying amount and categorised by the earlier of the contractual repricing and the maturity date.

	31 December 2021					
	Overdue	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Floating rate**	**Total**
Financial assets:						
Cash and cash equivalents	**—**	**—**	**—**	**—**	**40,871,102**	**40,871,102**
Loans and accounts receivable	**171,860,606**	**187,644,139**	**558,909,575**	**64,874,812**	**—**	**983,289,132**
Subtotal	**171,860,606**	**187,644,139**	**558,909,575**	**64,874,812**	**40,871,102**	**1,024,160,234**
Financial liabilities:						
Interest-bearing bank and other borrowings	**—**	**—**	**7,988,296**	**—**	**98,062,500**	**106,050,796**
Subtotal	**—**	**—**	**7,988,296**	**—**	**98,062,500**	**106,050,796**
Exposure to interest sensitivity	**171,860,606**	**187,644,139**	**550,921,279**	**64,874,812**	**(57,191,398)**	**918,109,438**

	31 December 2020					
	Overdue	Less than 3 months	3 to 12 months	1 to 5 years	Floating rate	Total
Financial assets:						
Cash and cash equivalents	—	—	—	—	31,826,815	31,826,815
Securities purchased under agreements to re-sell	—	3,800,000	—	—	—	3,800,000
Loans and accounts receivable	157,482,830	117,722,340	520,246,026	38,084,414	—	833,535,610
Subtotal	157,482,830	121,522,340	520,246,026	38,084,414	31,826,815	869,162,425
Financial liabilities:						
Interest-bearing bank and other borrowings	—	—	—	—	50,067,361	50,067,361
Subtotal	—	—	—	—	50,067,361	50,067,361
Exposure to interest sensitivity	157,482,830	121,522,340	520,246,026	38,084,414	(18,240,546)	819,095,064

The following table demonstrates the sensitivity as at the end of the Reporting Period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate instruments). The Group's equity is not affected, other than the consequential effect on retained profits (a component of the Group's equity) by the changes in profit before tax.

Changes in variables	**2021 Impact on profit before tax**	2020 Impact on profit before tax
+50 basis points	**1,567,964**	1,338,587
–50 basis points	**(1,567,964)**	(1,338,587)

(d) Price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to equity price risk arising from financial assets at fair value through profit or loss (Note 17) and financial liabilities at fair value through profit or loss (Note 25). As at 31 December 2021, a 10% increase in the fair value of the financial assets, with all other variables held constant, would increase financial assets at fair value through profit or loss by RMB28.4 million (31 December 2020: RMB36.3 million). As at 31 December 2021, a 10% increase in the fair value of the financial liabilities, with all other variables held constant, would increase financial liabilities at fair value through profit or loss by RMB0.9 million (31 December 2020: Nil).

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities.

The Group seeks to manage its liquidity risk by circulating liquidity facilities. The facilities take into account the maturity dates of financial instruments and estimated cash flows from operation.

The tables below present the cash flows of the Group of financial assets and financial liabilities that will be settled on a net basis and on a gross basis by the remaining contractual maturities at the financial reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	31 December 2021						
	On demand	**Overdue**	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Undated**	**Total**
Financial assets:							
Cash and cash equivalents*	**28,706,821**	**—**	**—**	**—**	**—**	**—**	**28,706,821**
Financial assets at fair value through profit or loss	**24,324,577**	**—**	**—**	**—**	**—**	**259,416,262**	**283,740,839**
Loans and accounts receivable	**—**	**218,608,800**	**216,935,693**	**597,590,485**	**66,002,497**	**—**	**1,099,137,475**
Other assets	**7,413**	**—**	**101,011**	**3,022,865**	**148,978**	**—**	**3,280,267**
Subtotal	**53,038,811**	**218,608,800**	**217,036,704**	**600,613,350**	**66,151,475**	**259,416,262**	**1,414,865,402**
Financial liabilities:							
Interest-bearing bank and other borrowings	**—**	**—**	**51,122,020**	**56,281,255**	**—**	**—**	**107,403,275**
Financial liabilities at fair value through profit or loss	**—**	**—**	**—**	**—**	**—**	**9,975,899**	**9,975,899**
Lease liabilities	**—**	**—**	**110,926**	**304,425**	**1,350,000**	**—**	**1,765,351**
Other payables	**—**	**—**	**1,983,082**	**964,703**	**4,941,116**	**—**	**7,888,901**
Subtotal	**—**	**—**	**53,216,028**	**57,550,383**	**6,291,116**	**9,975,899**	**127,033,426**
Net	**53,038,811**	**218,608,800**	**163,820,676**	**543,062,967**	**59,860,359**	**249,440,363**	**1,287,831,976**

* Excluding a current deposit in a restricted account

	31 December 2020						
	On demand	Overdue	Less than 3 months	3 to less than 12 months	1 to 5 years	Undated	Total
Financial assets:							
Cash and cash Equivalents*	19,685,413	—	—	—	—	—	19,685,413
Securities purchased under agreements to re-sell	—	—	3,800,000	—	—	—	3,800,000
Financial assets at fair value through profit or loss	131,435,292	—	—	—	—	231,404,223	362,839,515
Loans and accounts receivable	—	193,400,094	142,856,718	564,168,853	42,506,988	—	942,932,653
Other assets	137,833	—	30,159,446	188,668	118,860	—	30,604,807
Subtotal	151,258,538	193,400,094	176,816,164	564,357,521	42,625,848	231,404,223	1,359,862,388
Financial liabilities:							
Interest-bearing bank and other borrowings	—	—	50,673,611	—	—	—	50,673,611
Lease liabilities	—	—	181,720	29,213	—	—	210,933
Other payables	—	—	14,507,566	984,294	300,000	—	15,791,860
Subtotal	—	—	65,362,897	1,013,507	300,000	—	66,676,404
Net	151,258,538	193,400,094	111,453,267	563,344,014	42,325,848	231,404,223	1,293,185,984

* Excluding a current deposit in a restricted account

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings and lease liabilities, less cash and cash equivalents. Management regards total equity, which includes share capital, reserves and retained profits, as capital. The gearing ratios as at the end of the Reporting Periods were as follows:

	31 December 2021	31 December 2020
Interest-bearing bank and other borrowings	**106,050,796**	50,067,361
Less: Cash and cash equivalents	**40,897,950**	31,876,542
Net debt	**65,152,846**	18,190,819
Share capital	**680,000,000**	680,000,000
Reserves	**158,155,618**	145,756,111
Retained profits	**263,424,641**	261,738,838
Capital	**1,101,580,259**	1,087,494,949
Capital and net debt	**1,166,733,105**	1,105,685,768
Gearing ratio	**5.6%**	1.7%

35. TRANSFER OF FINANCIAL ASSETS

In December 2021, the Group entered into an agreement with a third party to transfer one of its NPL investments (the "**Transferred NPL**") for a consideration of RMB27.2 million, of which RMB19.0 million plus interests will be paid within 12 months. Subsequent to the transfer, the Group has retained the legal title and rights to dispose the Transferred NPL at its discretion as well as the contractual rights to receive the cash flows of the Transferred NPL, until the Group collect the remaining amounts. As of 31 December 2021, in the opinion of the Directors, the transfer did not meet the derecognition criteria and therefore it continued to recognize the Transferred NPL as financial assets at fair value through profit or loss at its full carrying amount of RMB27.2 million and accordingly the associated liability as financial liabilities at fair value through profit or loss.

36. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities classified into relevant maturity groupings based on the remaining period from the financial reporting date to the contractual maturity date. For purposes of the table set forth, "Loans and accounts receivable" are considered overdue only if principal payments are overdue. In addition, for loans and accounts receivable that are repayable by instalments, only the portion of the loan that is actually overdue is reported as overdue. Any part of the loan that is not due is reported according to residual maturity:

	31 December 2021					
	On demand	**Overdue/ Undated**	**Less than 3 months**	**3 to less than 12 months**	**After 12 months**	**Total**
Assets:						
Cash and cash equivalents*	**28,706,821**	**—**	**—**	**—**	**—**	**28,706,821**
Financial assets at fair value through profit or loss	**24,324,577**	**259,416,262**	**—**	**—**	**—**	**283,740,839**
Loans and accounts receivable	**—**	**102,623,681**	**209,368,086**	**533,719,364**	**137,578,001**	**983,289,132**
Other	**988,596**	**—**	**101,011**	**3,350,654**	**56,317,692**	**60,757,953**
Subtotal	**54,019,994**	**362,039,943**	**209,469,097**	**537,070,018**	**193,895,693**	**1,356,494,745**
Liabilities:						
Interest-bearing bank and other borrowings	**—**	**—**	**50,062,500**	**55,988,296**	**—**	**106,050,796**
Financial liabilities at fair value through profit or loss	**—**	**9,975,899**	**—**	**—**	**—**	**9,975,899**
Lease liabilities	**—**	**—**	**130,929**	**357,458**	**1,165,262**	**1,653,649**
Other	**—**	**—**	**24,029,416**	**964,703**	**18,467,064**	**43,461,183**
Subtotal	**—**	**9,975,899**	**74,222,845**	**57,310,457**	**19,632,326**	**161,141,527**
Net	**54,019,994**	**352,064,044**	**135,246,252**	**479,759,561**	**174,263,367**	**1,195,353,218**

* Excluding a current deposit in a restricted account

	31 December 2020					
	On demand	Overdue/ Undated	Less than 3 months	3 to less than 12 months	After 12 months	Total
Assets:						
Cash and cash Equivalents*	19,685,413	—	—	—	—	19,685,413
Financial assets held under resale agreements	—	—	3,800,000	—	—	3,800,000
Financial assets at fair value through profit or loss	131,435,292	231,404,223	—	—	—	362,839,515
Loans and accounts receivable	—	48,843,643	202,617,544	501,001,298	81,073,125	833,535,610
Other	137,833	—	30,268,233	1,760,861	46,067,965	78,234,892
Subtotal	151,258,538	280,247,866	236,685,777	502,762,159	127,141,090	1,298,095,430
Liabilities:						
Interest-bearing bank borrowings	—	—	50,067,361	—	—	50,067,361
Lease liabilities	—	—	137,385	14,829	—	152,214
Other	—	—	23,840,325	984,294	5,251,836	30,076,455
Subtotal	—	—	74,045,071	999,123	5,251,836	80,296,030
Net	151,258,538	280,247,866	162,640,706	501,763,036	121,889,254	1,217,799,400

* Excluding a current deposit in a restricted account

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group's financial assets mainly include cash at banks, securities purchased under agreements to re-sell, financial assets at fair value through profit or loss and loans and accounts receivable.

The Group's financial liabilities mainly include interest-bearing bank borrowings and other borrowings, lease liabilities and other payables.

Due to the short remaining period or periodical repricing to reflect the market price, the carrying amounts of these financial assets and liabilities approximate to their fair values.

The Group's finance department headed by the finance director is responsible for determining the policies and procedures for the fair value measurements of financial instruments. The finance director reports directly to the general manager and the audit committee. At each reporting date, the Group analyses the movements in the values of financial instruments. The valuation is reviewed and approved by the general manager.

The fair values of unlisted equity investments and private equity funds were determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; making reference to the current market value of another instrument that is substantially the same, and net assets making as much use of available and supportable market data as possible. The Directors believe that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair values, are reasonable, and that they were the most appropriate values at the end of the Reporting Period.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021	**Fair value measurement using**			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Financial assets at fair value through profit or loss	167,221,341	—	116,519,498	283,740,839
Financial liabilities at fair value through profit or loss	—	—	9,975,899	9,975,899

As at 31 December 2020	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets at fair value through profit or loss	343,750,319	—	19,089,196	362,839,515

The Group did not have any financial liabilities measured at fair value as at 31 December 2020.

In 2021, there were no transfers between Level 1 and Level 2 (2020: RMB6,000,000). There were no transfers into or out of Level 3 for the financial assets measured at fair value (2020: Nil).

Significant unobservable input value in Level 3 fair value measurement

As at 31 December 2021	**Fair value**	**Valuation techniques and key inputs**	**Significant unobservable inputs**	**Relationship between unobservable inputs and fair value**
Listed equity investments with disposal restrictions within a specific period	**32,083,747**	**Option pricing model**	**Volatility**	**The higher the volatility, the lower the fair value**
Unlisted equity investments	**6,034,481**	**Adjusted net asset value**	**Discount for lack of liquidity**	**The lower the discount, the higher the fair value**
Private equity funds	**14,201,270**	**Adjusted net asset value**	**Discount for lack of liquidity**	**The lower the discount, the higher the fair value**
Private equity funds	**21,000,000**	**Recent transaction price**	**N/A**	**N/A**
Purchased NPLs	**43,200,000**	**Recent transaction price**	**N/A**	**N/A**
Financial liabilities associated with transferred financial assets that were not derecognised	**(9,975,899)**	**Recent transaction price**	**N/A**	**N/A**

As at 31 December 2020	Fair value	Valuation techniques and key inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value
Unlisted equity investments	1,750,592	Adjusted recent transaction price	N/A	N/A
Unlisted equity investments	7,338,604	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value
Private equity funds	10,000,000	Recent transaction price	N/A	N/A

The movements in fair value measurements within Level 3 during the year are as follows:

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
As at 1 January 2020	19,930,003	—
Total losses recognised in profit or loss	(10,840,807)	—
Purchases	10,000,000	—
As at 31 December 2020	**19,089,196**	**—**
Total gains/(losses) recognised in profit or loss	**1,146,555**	**(1,131,899)**
Purchases or issue	**96,283,747**	**(8,844,000)**
As at 31 December 2021	**116,519,498**	**(9,975,899)**

38. EVENTS AFTER THE REPORTING PERIOD

Other than as disclosed in other notes, the Group had no significant event after the Reporting Period.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the Reporting Period is as follows:

	31 December 2021	31 December 2020
ASSETS		
Cash and cash equivalents	**16,643,082**	23,939,178
Financial assets at fair value through profit or loss	**—**	36,912,036
Loans and accounts receivable	**560,318,789**	612,082,011
Property and equipment	**1,139,466**	192,105
Right-of-use assets	**1,469,268**	187,846
Investments in subsidiaries	**340,888,345**	177,322,133
Intangible assets	**—**	124,528
Deferred tax assets	**15,036,506**	9,640,687
Other assets	**217,387,207**	253,867,698
TOTAL ASSETS	**1,152,882,663**	1,114,268,222
LIABILITIES		
Interest-bearing bank borrowings	**50,062,500**	50,067,361
Lease liabilities	**1,623,429**	107,368
Income tax payable	**8,477,376**	—
Provision	**12,670,258**	—
Other payables	**5,167,790**	3,890,806
TOTAL LIABILITIES	**78,001,353**	54,065,535
NET ASSETS	**1,074,881,310**	1,060,202,687
EQUITY		
Share capital	**680,000,000**	680,000,000
Reserves	**150,623,973**	145,756,111
Retained profits	**244,257,337**	234,446,576
TOTAL EQUITY	**1,074,881,310**	1,060,202,687

A summary of the Company's reserves is as follows:

	Capital reserve	Surplus reserve	General reserve	Total
Balance as at 1 January 2020	69,383,972	57,494,289	16,276,267	143,154,528
Appropriation to surplus reserve	—	2,601,583	—	2,601,583
Appropriation to general reserve	—	—	—	—
Balance as at 31 December 2020 and 1 January 2021	**69,383,972**	**60,095,872**	**16,276,267**	**145,756,111**
Appropriation to surplus reserve	**—**	**4,867,862**	**—**	**4,867,862**
Appropriation to general reserve	**—**	**—**	**—**	**—**
Balance as at 31 December 2021	**69,383,972**	**64,963,734**	**16,276,267**	**150,623,973**

40. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board on 29 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Since the China Banking Regulatory Commission (中國銀行業監督管理委員會), which is transformed into the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) (the "**CBIRC**"), and the People's Bank of China (中國人民銀行) (the "**PBOC**") promulgated the *Guiding Opinions on the Pilot Operation of Microfinance Companies* (關於小額貸款公司試點的指導意見) in 2008, which first formalized the registration procedures for microfinance companies at the national level, China's microfinance industry has seen rapid expansion. In 2012, the State Council of the PRC (中華人民共和國國務院) (the "**State Council**") approved the establishment of a pilot financial reform zone in Quanzhou city, making Quanzhou city the third pilot financial reform zone in China. Fujian provincial government subsequently implemented a series of financial reform policies and measures aiming at developing and cultivating the local financial services sector and channeling private capital to SMEs and local microenterprises. In 2014, the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) designated Quanzhou city as a pilot zone for the comprehensive reform of the private economy, initiating reform programs that include improving the financial services sector as well as increasing the financial support of, and the financing resources available to, private enterprises. In December 2015, the State Council promulgated the *Plan for Promoting the Development of Inclusive Finance (2016–2020) (Guo Fa [2015] No. 74)* (推進普惠金融發展規劃 (2016–2020年) (國發[2015]74號), which aims to improve the quality and the coverage of inclusive finance service. In 2017, the government of Quanzhou city promulgated the *Opinions on Promoting the Sound and Sustainable Development of Micro-credit Companies, Pawnshop Companies and Financing Guarantee Companies* (泉州市人民政府關於促進小額貸款公司、典當行和融資擔保公司健康持續發展的若干意見), which encourages microfinance companies to develop innovative businesses. In 2018, the Quanzhou Financial Affairs Bureau (泉州市金融工作局) and certain other government departments promulgated *Opinions on the Implementation of Strengthening Financial Services of Real Economy to further Facilitate and Reduce the Cost of the Financing* (關於加強實體經濟金融服務進一步緩解融資難融資貴的實施意見), which allow microfinance companies in Quanzhou to comprehensively carry out microfinance business mainly for SMEs and 'agriculture, rural and farmers' (三農) in Quanzhou city. In 2021, to further support the development of microfinance companies in Quanzhou City, Quanzhou Financial Affairs Office promulgated *Opinions on Promoting the Sound and Sustainable Development of Micro-credit Companies* (泉州市金融工作辦公室關於促進小額貸款公司持續健康發展的若干意見).

Business Overview

Our Group is principally engaged in loan business. Based in Quanzhou city, we are the largest licensed microfinance company in Fujian province in terms of revenue in 2021, according to the statistics of the Fujian Financial Supervision Bureau (福建省地方金融監督管理局). We are primarily dedicated to providing local entrepreneurial individuals, SMEs and microenterprises with practical and flexible short-term financing solutions to support their continued development and address their ongoing liquidity needs.

During the Reporting Period, we generated substantially all of our income by charging interest on the loans extended to our customers. For the year ended 31 December 2021, the total loans granted to our customers amounted to RMB2,221.0 million. Our interest income from loans receivable was RMB139.1 million for the year ended 31 December 2021.

We financed our operations primarily through a combination of share capital of our shareholders and bank borrowings. The following table sets forth our share capital, net capital, principal amount of outstanding loans, lease receivables and loan and finance lease/net capital ratio as of the dates indicated:

	As of 31 December	
	2021	2020
Share capital *(RMB in millions)*	**680.0**	680.0
Net capital *(RMB in millions)*[(1)]	**1,207.5**	1,230.0
Principal amount of outstanding loans *(RMB in millions)*	**1,036.6**	869.9
Lease receivables *(RMB in millions)*	**1.2**	11.2
Loan and finance lease/Net capital ratio[(2)]	**0.86 times**	0.72 times

Notes:

(1) Represents the aggregate of our share capital, reserves and retained profits of our Group.

(2) Represents the principal amount of our outstanding loans and the total amount of our lease receivables divided by our net capital.

Our Loan Business

Loan Portfolio

The principal amount of our outstanding loans increased steadily from RMB869.9 million as of 31 December 2020 to RMB1,036.6 million as of 31 December 2021, primarily due to the adjustment of our loan size as the economic recovery form pandemic.

The following table sets forth the balance of our loans by industry as of the dates indicated:

	As of 31 December			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Manufacturing	**501,284**	**48.4**	238,353	27.4
Wholesale and retail	**120,651**	**11.6**	271,327	31.2
Financial	**101,829**	**9.8**	66,110	7.6
Construction	**114,371**	**11.0**	106,610	12.3
Public facilities and commercial service	**58,724**	**5.7**	158,398	18.2
Agriculture	**83,500**	**8.1**	—	—
Transportation, warehousing and post	**7,715**	**0.7**	2,100	0.2
Others	**48,564**	**4.7**	27,040	3.1
Total	**1,036,638**	**100.0**	869,938	100.0

Revolving Loans and Term Loans

We offer two types of loans, namely, revolving loans and term loans, as part of our flexible financing solutions, depending on a customer's repayment and re-borrowing needs. The following table sets forth the principal amount of our revolving loans and term loans as of the dates indicated:

	As of 31 December			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Principal amount of outstanding loans:				
Revolving loans	**603,680**	**58.2**	628,525	72.2
Term loans	**432,958**	**41.8**	241,413	27.8
Total	**1,036,638**	**100.0**	869,938	100.0

Loan Portfolio by Security

Our loans receivable consist of credit loans, guaranteed loans and collateral-backed loans. The following table sets forth our loan portfolio by security as of the dates indicated:

	As of 31 December			
	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
Principal amount of outstanding loans:				
Credit loans	**53,710**	**5.2**	5,000	0.6
Guaranteed loans	**241,503**	**23.3**	301,169	34.6
Collateral-backed loans				
— with guarantee	**523,153**	**50.5**	543,768	62.5
— without guarantee	**218,272**	**21.0**	20,001	2.3
Total	**1,036,638**	**100.0**	869,938	100.0

Our guaranteed loans decreased from RMB301.2 million as of 31 December 2020 to RMB241.5 million as of 31 December 2021 mainly because we enhanced the approval standard for guaranteed loans.

The following table sets forth the interest rates of our loans by security as of the dates indicated:

	As of 31 December			
	2021		2020	
	% (lowest)	***% (highest)***	*% (lowest)*	*% (highest)*
Credit loans	**12.0**	**21.6**	15.6	18.0
Guaranteed loans	**12.0**	**24.0**	15.0	21.6
Collateral-backed loans				
— with guarantee	**15.0**	**24.0**	8.0	24.0
— without guarantee	**8.0**	**24.0**	8.0	24.0

Collateral-backed Loans

The collateral obtained by our Group under our collateral-backed loans mainly consists of building ownership rights, building and land use rights, and shares. The following table sets forth the types of collaterals under our collateral-backed loans as of the dates indicated:

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Building ownership rights	**366,144**	349,788
Building and land use rights	**132,288**	45,380
Shares	**162,940**	165,000

Maturity Profile of Loan Portfolio

As of 31 December 2021, our maturity profiles within one year and over one year accounted for 85.1% and 14.9% of the total principal amount of outstanding loans, respectively. The following table sets forth the maturity profile of our loans based on the contractual maturity date of the principal amount as of the dates indicated:

	As of 31 December			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Principal amount of outstanding loans:				
Past due	**132,830**	**12.8**[(1)]	70,741	8.1[(1)]
Due within three months	**208,577**	**20.1**	177,534	20.4
Due between three months and one year	**541,087**	**52.2**	530,355	61.0
Due over one year	**154,144**	**14.9**	91,308	10.5
Total	**1,036,638**	**100.0**	869,938	100.0

Note:

(1) The percentage equals to the default ratio as of the respective dates during the Reporting Period, representing the balance of principal amount of past due loans divided by the total principal amount of our outstanding loans.

Past Due Loans

The principal amount of our past due loans was RMB70.7 million and RMB132.8 million as of 31 December 2020 and 2021, respectively, accounting for 8.1% and 12.8% of the total principal amount of our outstanding loans as of the same dates.

We had 20 past due loans with an aggregate amount of RMB70.7 million as of 31 December 2020. As of 31 December 2021, RMB28.9 million of the principal amount of these past due loans as of 31 December 2020 had been settled and RMB0.7 million of the principal amount of these past due loans as of 31 December 2020 had been written off. As of 31 December 2021, the remaining portion of principal amount of past due loans as of 31 December 2020 was RMB41.1 million and the allowance for impairment losses for these loans was RMB14.9 million.

As of 31 December 2021, we had 25 past due loans with an aggregate principal amount of RMB132.8 million, and our allowance for impairment losses for these past due loans as of the same date was RMB30.6 million.

The principal amount of our past due loans increased from RMB70.7 million as of 31 December 2020 to RMB132.8 million as of 31 December 2021, mainly because some of our loans were overdue as a results of the current temporary cash flow difficulties of the borrowers. Since most of the past due loans were pledged or guaranteed by collaterals, we expect the loss probability of our past due loans is low.

Loan Portfolio by Exposure Size

The following table sets forth the distribution of the principal amount of our outstanding loans and the number of borrowers by exposure size as of the dates indicated:

	As of 31 December					
	2021			2020		
	Number of borrower[1]	***RMB'000***	***%***[2]	*Number of borrower*[1]	*RMB'000*	*%*[2]
Principal amount of outstanding loans:						
Up to RMB1.0 million	**183**	**87,864**	**8.5**	2,942	67,444	7.8
Over RMB1.0 million to RMB3.0 million (inclusive)	**74**	**129,784**	**12.5**	84	146,127	16.8
Over RMB3.0 million to RMB5.0 million (inclusive)	**79**	**360,965**	**34.8**	98	443,754	51.0
Over RMB5.0 million to RMB10.0 million (inclusive)	**24**	**204,824**	**19.8**	15	123,755	14.2
Over RMB10.0 million	**12**	**253,201**	**24.4**	6	88,858	10.2
Total	**372**	**1,036,638**	**100.0**	3,145	869,938	100.0

Notes:

(1) Loans granted to a single borrower under multiple loan agreements are aggregated for the purpose of the calculation of loan exposure size to such customer.

(2) Represents the principal amount of outstanding loans of each category divided by the total principal amount of our outstanding loans.

We adopted a loan classification approach to manage our loan portfolio risk. We categorize our loans by reference to the "Five-Tier Principle" set forth in the *Guideline for Loan Credit Risk Classification* (貸款風險分類指引) issued by the CBIRC. We make provisions for the anticipated level for loan loss after categorizing the loan according to the "Five-Tier Principle". According to the "Five-Tier Principle", our loans are categorized as "normal", "special-mention", "substandard", "doubtful" or "loss" according to their levels of risk. We consider our "substandard", "doubtful" and "loss" loans as non-performing loans. The following table sets forth the breakdown of the total principal amount of our outstanding loans by category as of the dates indicated:

	As of 31 December			
	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
Normal	**671,331**	**64.8**	523,786	60.3
Special-mention	**262,029**	**25.3**	259,218	29.8
Substandard	**47,167**	**4.6**	69,865	8.0
Doubtful	**52,736**	**5.1**	2,769	0.3
Loss	**3,375**	**0.2**	14,300	1.6
Total	**1,036,638**	**100.0**	869,938	100.0

We assess impairment either collectively or individually as appropriate. We assess our loans for impairment at the end of each relevant period, determine a level of allowance, and recognize any related provisions using the concept of impairment under HKFRS 9. For the loans in stage 1 and stage 2 for measurement of ECL which were the "normal" loans and part of "special-mention" loans, given that they are not impaired, we make collective assessment based primarily on factors including prevailing general market and industry conditions and historical impaired ratio. For remaining loans, the impairment losses are assessed individually by evaluating the loss that we expect to incur on the balance sheet date.

As of 31 December 2020 and 2021, our "substandard" loans decreased from RMB69.9 million as of 31 December 2020 to RMB47.2 million as of 31 December 2021 mainly because (i) part of the past due loans of the Company categorized as "normal" and "special-mention" in 2020 with aggregate amount of RMB46.9 million were downgraded to "substandard" taking into account of the borrowers' repayment ability; (ii) RMB57.0 million of our "substandard" loans as of 31 December 2020 were collected; and (iii) RMB12.6 million of our "substandard" loans in 2021 were downgraded to "doubtful". Our "doubtful" loans increased from RMB2.8 million as of 31 December 2020 to RMB5.3 million as of 31 December 2021 mainly because part of our "special-mention" loans and "substandard" loans were downgraded to "doubtful". Meanwhile, part of the loans categorized as "doubtful" in 2020 with aggregate amount of RMB2.1 million were downgraded to "loss" in 2021. RMB12.0 million of our "loss" loans were collected during the Reporting Period.

The following table sets forth the key default and loss ratios reflecting the asset quality of our loan business:

	As of/For the year ended 31 December	
	2021	2020
	(RMB'000, except for percentage)	
Non-performing loan ratio(1)	**9.9%**	9.9%
Balance of non-performing loans receivable	**103,279**	86,933
Balance of gross loans receivable	**1,043,415**	876,020
Allowance coverage ratio(2)	**59.3%**	60.3%
Allowance for loans losses(3)	**61,235**	52,434
Balance of non-performing loans receivable	**103,279**	86,933
Provision for impairment losses ratio(4)	**5.9%**	6.0%
Loss ratio(5)	**8.0%**	48.2%
Net charge of impairment allowance on loans receivable	**11,175**	69,131
Interest income	**139,140**	143,540

Notes:

(1) Represents the balance of non-performing loans receivable divided by the balance of gross loans receivable. Non-performing loan ratio indicates the quality of our loan portfolio.

(2) Represents the allowance for loans losses for all loans divided by the balance of non-performing loans receivable. The allowance for non-performing loans losses for all loans includes allowances provided for performing loans and allowances provided for non-performing loans. Allowance coverage ratio indicates the level of allowance we set aside to cover probable loss in our loan portfolio.

(3) Allowance for loans losses reflects our management's estimate of the probable loss in our loan portfolio.

(4) Represents the allowance for loans losses divided by the balance of gross loans receivable. Provision for loans losses ratio measures the cumulative level of provisions.

(5) Represents the net charge of impairment allowance on loans receivable divided by our interest income. Loss ratio is a benchmark which our management uses to monitor our financial results in relation to impairment losses incurred.

Our non-performing loans receivable increased from RMB86.9 million as of 31 December 2020 to RMB103.3 million as of 31 December 2021 as a result of the increase in the uncollected loans. Our non-performing loan ratio remained at 9.9% as of 31 December 2020 and 2021.

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the year ended 31 December 2021:

Key requirements	Compliance status
The registered capital of a microfinance company in Fujian province shall not be lower than RMB100 million.	Our Group complied with such requirement for the year ended 31 December 2021.
The debt to net capital ratio of a microfinance company in Quanzhou city is capped at 100%.	Our Group complied with such requirement for the year ended 31 December 2021.
The *Provision on Issues Concerning Applicable Legal Norms for the Court's Trial of Lending Cases (Amended in December 2020)* (最高人民法院關於審理民間借貸案件適用法律若干問題的規定(2020年12月修訂)) (the "**2020 Judicial Interpretation**") promulgated by the Supreme People's Court (最高人民法院) on 29 December 2020 which became effective on 1 January 2021 provides that: (i) the interest on a loan accruing from the effective date of the loan agreement to 20 August 2020 calculated pursuant to the then judicial interpretation; and (ii) the interest on a loan accruing from 19 August 2020 calculated pursuant to the 2020 Judicial Interpretation, shall be supported by the court if the loan agreement took effect before 20 August 2020 and the lending case in relation to such loan agreement accepted by the court after 20 August 2020.	Our Group complied with such applicable requirement for the year ended 31 December 2021.
A microfinance company shall not grant loans to its own shareholders, directors, senior management and their related parties.	Our Group complied with such requirement for the year ended 31 December 2021.
The outstanding amount of loan made to the same borrower by a microfinance company cannot exceed 10% of the net capital of such microfinance company.	Our Group complied with such requirement for the year ended 31 December 2021.

Key requirements	Compliance status
Upon the listing of the H shares of the Company on the main board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 September 2016 (the "**Listing Date**"), the ratio of the balance of outstanding loans of up to a maximum of RMB5.0 million to a single borrower to the total balance of outstanding loans that is applicable to the Company shall not be lower than 70% (the "**Amended 70% Requirement**").	Our Group complied with the Amended 70% Requirement for the year ended 31 December 2021.
Risk assets of a finance leasing company shall not exceed eight times of its total net assets.	Our Group complied with such requirement for the year ended 31 December 2021.

Financial Overview

Interest Income, Net

We generate substantially all of our interest income from interest on loans that we provide to our customers. We incur interest expense on bank borrowings which are principally used to fund our loan business.

The following table sets forth our interest income and interest expense for the years indicated:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Interest income on:		
Loans and accounts receivable	**139,788**	146,251
Interest expense on:		
Bank loans	**(2,068)**	(2,679)
Lease Liabilities	**(26)**	(26)
Interest income, net	**137,694**	143,545

Interest Income

Our interest income from short-term financings provided to entrepreneurial individuals, SMEs and microenterprises primarily consists of interest income from our outstanding performing loans. Interest income from outstanding performing loans is mainly affected by (i) the balance of our outstanding performing loans; and (ii) the effective interest rates that we charge on our performing loans.

The following table sets forth the average balance of our outstanding performing loans and corresponding average effective interest rate per annum for the years indicated:

	Year ended 31 December	
	2021	2020
Average balance of outstanding performing loans[1] *(RMB'000)*	**805,903**	830,943
Average effective interests rate per annum[2]	**15.25%**	14.26%

Notes:

(1) Calculated as the average balance of the principal amount of our outstanding performing loans at the end of each month for the years indicated.

(2) Calculated by dividing the interest income for the year by the average balance of outstanding performing loans for the years indicated.

Our loan business is primarily funded by our share capital as well as our bank borrowings. Our interest income decreased by 4.4% from RMB146.2 million for the year ended 31 December 2020 to RMB139.8 million for the year ended 31 December 2021. The average balance of our outstanding performing loans decreased by 3.0% from RMB830.9 million in 2020 to RMB805.9 million in 2021. Such decreases were primarily because of the decrease in our loan size. For the years ended 31 December 2020 and 2021, our average effective interest rate per annum on our performing loans increased from 14.3% to 15.3%. Such increase was primarily due to the increase in the interest rate of new loans we granted during the Reporting Period.

Interest Expense

The following table sets forth the average balance of our short-term borrowings and effective interest rates per annum for the years indicated:

	Year ended 31 December	
	2021	2020
Average balance of bank borrowings[(1)] *(RMB'000)*	**44,405**	54,389
Effective interests rate per annum[(2)]	**4.66%**	4.98%

Notes:

(1) Calculated as the average balance of our bank borrowings at the end of each month for the years indicated.

(2) Calculated by dividing the interest expense for the year by the average balance of bank borrowings for the year.

Our average balance of bank borrowings decreased from RMB54.4 million as of 31 December 2020 to RMB44.4 million as of 31 December 2021 mainly because we repaid the bank borrowing of RMB30.0 million in the first quarter of 2021 and borrowed new bank borrowings of RMB30.0 million and RMB48.0 million in the third quarter and fourth quarter of 2021, respectively.

Net Charge of Impairment Allowance on Loans and Accounts Receivable

Net charge of impairment allowance on loans and accounts receivable mainly arose from the balance of allowance for impairment loss we made in relation to our loans and accounts receivable during the relevant periods.

We review our loan portfolios and finance leases periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any evidence of impairment. Our management reviews the methodology and assumptions used in estimating future cash flows regularly to minimize difference between loss estimates and actual loss.

Our net charge of impairment allowance on loans and accounts receivable for the years ended 31 December 2020 and 2021 were RMB69.1 million and RMB10.9 million, respectively. Such decrease was primarily due to (i) the decrease in provision of loans as a results of the decline of credit risk of the market; and (ii) the collection of previous impaired loans resulting in the reversal of provisions.

Operating and Administrative Expenses

Our operating and administrative expenses mainly include taxes and surcharges, staff costs, depreciation and amortization expenses, auditor's remuneration and others. The table below sets forth the components of our operating and administrative expenses by nature for the years indicated:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Tax and surcharges	**1,210**	986
Staff costs:		
Salaries, bonuses and allowances	**12,283**	11,999
Other social welfare	**2,222**	1,517
Depreciation and amortization	**2,996**	4,740
Auditor's remuneration	**1,415**	1,368
Others	**5,338**	5,993
Total operating and administrative expenses	**25,464**	26,603

Our tax and surcharges primarily comprise city maintenance and construction tax and additional education fee, accounting for 3.7% and 4.8% of our operating and administrative expenses for the years ended 31 December 2020 and 2021, respectively. Staff costs, including salaries, bonuses and allowances paid to employees, other social welfare insurance and benefits, accounted for 50.8% and 57.0% of our operating and administrative expenses for the years ended 31 December 2020 and 2021, respectively.

Our operating and administrative expenses decreased from RMB26.6 million for the years ended 31 December 2020 to RMB25.5 million for the year ended 31 December 2021 mainly because of (i) the decrease in depreciation of right-of-use assets; and (ii) the decrease in amorisation of intangible assets.

Net Investment Losses/Gains

Our net gains on financial instrument consist of dividend and other income, net realized gains, and unrealized losses and gains.

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Dividend and other income	**7,162**	7,028
Net realized gains	**11,327**	3,087
Unrealized (losses)/gains	**(27,584)**	10,322
Total	**(9,095)**	20,447

Our net gains on financial assets decreased from RMB20.4 million for the year ended 31 December 2020 to losses of RMB9.1 million for the year ended 31 December 2021 mainly due to the fluctuation of the stock price of PRC listed securities we invested.

Other Income and Gains, Net

Our net other income and gains consist of interest from bank deposits, government grants and other gains.

The following table sets forth the details of our net other income and gains for the years indicated:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Government grants	**1,131**	1,670
Interest from bank deposits	**415**	178
Others	**1,557**	1,163
Total	**3,103**	3,011

Income Tax Expense

During the years ended 31 December 2020 and 2021, we were subject to the general tax rate of 25% pursuant to the *Enterprise Income Tax Law (*企業所得稅法*)* which became effective from 1 January 2008, and was amended on 24 February 2017 and 29 December 2018. Our income tax expense for the years ended 31 December 2020 and 2021 was RMB16.9 million and RMB20.2 million, respectively, and our effective tax rate for the same years was 23.9% and 24.6%.

The Directors confirmed that we have paid all relevant taxes and are not subject to any dispute or unresolved tax issues with the relevant tax authorities in the PRC.

Net Profit and Total Comprehensive Income for the Year

As a result of the foregoing, we recorded net profit, defined as net profit and total comprehensive income, of RMB53.9 million and RMB62.0 million for the years ended 31 December 2020 and 2021, respectively.

Liquidity and Capital Resources

We have in the past funded our working capital and other capital requirements primarily by equity contributions from our shareholders, bank borrowings and cash flows from operations. Our liquidity and capital requirements primarily relate to granting loans and other working capital requirements. We monitor our cash flows and cash balance on a regular basis and strive to maintain liquidity that can meet our working capital needs while supporting a healthy level of business scale and expansion.

Our gearing ratio which calculated by dividing the net debt by the aggregate of our capital and net debt, increased from 1.7% as of 31 December 2020 to 5.6% as of 31 December 2021, mainly because of the increase in bank borrowings.

Cash Flows

The following table sets forth a selected summary of our cash flows statement for the years indicated:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Net cash flows from operating activities	**43,475**	68,744
Net cash flows used in investing activities	**(3,169)**	(7,873)
Net cash flows used in financing activities	**(31,047)**	(76,954)
Net increase/(decrease) in cash and cash equivalents	**9,259**	(16,083)
Cash and cash equivalents at the beginning of year	**19,686**	36,119
Effect of foreign exchange rate changes, net	**(238)**	(350)
Cash and cash equivalents at the end of year	**28,707**	19,686

Net cash flows from operating activities

Our business involves a substantial amount of operating cash turnover as well as ongoing funding in the ordinary course of business undertaking, given the capital-intensive nature of short-term microfinance business.

Our cash generated from operating activities primarily consists of loans repaid by our customers and interest income from loans that we grant to customers. Our cash used in operating activities primarily consists of that we extend to our customers. Net cash flows from operating activities reflect: (i) our profit before tax adjusted for non-cash and non-operating items, such as charge on impairment, loss on provision for a contingent liability, as well as depreciation and amortization; (ii) the effects of changes in working capital; and (iii) income tax paid.

Net cash flows from operating activities for the year ended 31 December 2021 was RMB43.5 million. Net cash flows generated from operating activities before working capital adjustment was RMB95.7 million. Cash outflows arising from changes in working capital primarily consisted of: (i) an increase in loan size resulting in the increase in loans and accounts receivable of RMB145.1 million; and (ii) an decrease in the payment of income tax of RMB21.0 million. Cash inflows primarily consisted of: (i) the decrease in wealth management products of RMB107.1 million; and (ii) the decrease in other assets of RMB27.3 million.

Net cash flows used in investing activities

For the year ended 31 December 2021, our net cash flows used in investing activities was RMB3.2 million, which was mainly due to the disposal of items of long-term assets.

Net cash flows used in financing activities

For the year ended 31 December 2021, our net cash flows used in financing activities was RMB31.1 million, which is mainly consisted of: (i) the payment of dividend of RMB34.0 million; (ii) the dividend paid to non-controlling shareholders of JJHX of RMB17.0 million; (iii) the payment of acquisition of non-controlling interests of JJHX; (iv) the net repayment of bank borrowings of RMB56.0 million; and (v) the payment of interests on bank borrowing of RMB2.1 million.

Cash management

We have established certain management measures to manage our liquidity. As our business relies primarily on its available cash, we normally set aside a sufficient amount of cash for general working capital needs, such as administrative expenses and payment of interests on bank borrowings, and use substantially all of the remainder for granting loans to our customers. As of 31 December 2020 and 2021, the total cash and cash equivalents amounted to RMB19.7 million and RMB28.7 million, respectively, which we consider to be adequate based on our actual working capital needs.

Selected Items of the Statements of Financial Position

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Assets		
Cash and cash equivalents	**40,898**	31,877
Securities purchased under agreements to re-sell	**—**	3,800
Financial assets at fair value through profit or loss	**283,741**	362,840
Loans and accounts receivable	**983,289**	833,536
Property and equipment	**11,243**	8,522
Right-of-use assets(1)	**1,498**	250
Goodwill	**14,729**	14,729
Other Intangible assets	**437**	1,177
Deferred tax assets	**19,568**	10,764
Other assets	**13,283**	42,792
Total assets	**1,368,686**	1,310,287
Liabilities		
Interest-bearing bank borrowings	**106,051**	50,067
Financial liabilities at fair value through profit or loss	**9,976**	—
Lease liabilities	**1,654**	152
Income tax payable	**15,230**	3,975
Provision	**12,670**	—
Deferred tax liabilities	**856**	4,952
Other payables	**14,705**	21,150
Total liabilities	**161,142**	80,296
Net assets	**1,207,544**	1,229,991

Note:

(1) The right-of-use assets mainly consist of the leases of properties.

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of our cash in hand and cash at banks. As of 31 December 2020 and 2021, we had cash and cash equivalents of RMB31.9 million and RMB40.9 million, respectively. Such increase in our cash and cash equivalents was primarily due to redemption of wealth management products.

Loans and Accounts Receivable

Our loans and accounts receivable consist of net lease receivables and loans receivable. We consider a financial asset in default when it is overdue for more than 90 days.

The following table sets forth our loans and accounts receivable and allowance for impairment losses as of the dates indicated:

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Net lease receivables	**1,102**	10,475
Loans receivable	**1,043,715**	876,020
Total loans and accounts receivable	**1,044,817**	886,495
Less: Allowance for impairment losses		
— Individual assessed	**(46,676)**	(34,957)
— Collective assessed	**(14,852)**	(18,002)
Total allowance for impairment losses	**(61,528)**	(52,959)
Net loans and accounts receivable	**983,289**	833,536

Our net loans receivable increased from RMB833.5 million as of 31 December 2020 to RMB983.3 million as of 31 December 2021 because we adjusted our loan size since May 2021 as a result of the recovery of economy from pandemic.

As of 31 December 2021, our maturity profiles within one year and over one year accounted for 85.2% and 14.8% of the total loans, respectively. The following table sets forth a maturity portfolio of our gross loans receivable as of the dates indicated:

	As of 31 December			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Past due	**132,916**	**12.7**	71,042	8.1
Due within three months	**211,285**	**20.2**	206,168	23.5
Due between three months and six months	**308,435**	**29.6**	255,162	29.1
Due between six months and one year	**236,883**	**22.7**	252,335	28.8
Due over one year	**154,196**	**14.8**	91,313	10.5
Total	**1,043,715**	**100.0**	876,020	100.0

The majority of our loans during the years ended 31 December 2020 and 2021 were guaranteed loans and collateral-backed loans, which accounted for 34.6% and 64.8% of our loans receivables as of 31 December 2020 and 23.4% and 71.4% of our loans receivables as of 31 December 2021, respectively. The following table sets forth the balance of our gross loans receivable as of the dates indicated:

	As of 31 December			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Credit loans	**54,117**	**5.2**	4,997	0.6
Guaranteed loans	**243,988**	**23.4**	303,072	34.6
Collateral-backed loans				
— with guarantee	**526,905**	**50.4**	547,371	62.5
— without guarantee	**218,705**	**21.0**	20,580	2.3
Total	**1,043,715**	**100.0**	876,020	100.0

Financial Assets at Fair Value through Profit or Loss

For the year ended 31 December 2021, our financial assets at fair value through profit or loss primarily consisted of wealth management products, listed securities, other unlisted investments and private equity funds and NPLs.

We invest in wealth management products, listed securities, other unlisted investments and private equity funds and NPLs with our laid-up capital, and the investment amount should match our capital structure in terms of scale and must not affect our ordinary business operations. All such financial assets, depending on their amounts and types, will be strictly reviewed and approved by our management at different levels. Our securities investment team conducts risk control and supervision over our investments to effectively manage the investment procedures. As of 31 December 2021, the balance of our investments wealth management products, listed securities and funds, and other unlisted investments and private equity founds and non-performing loans were RMB24.3 million, RMB175.0 million, RMB41.2 million and RMB43.2 million, respectively. As confirmed by the Directors, all these investment activities are in compliance with applicable laws and regulations including the requirements set out in the Listing Rules.

Goodwill

Our goodwill remained at RMB14.7 million as of 31 December 2020 and 2021.

Other Intangible Assets

Other intangible assets decreased from RMB1.2 million as of 31 December 2020 to RMB0.4 million as of 31 December 2021, mainly due to the amortization of intangible assets.

Deferred Tax Assets

The deferred tax assets increased from RMB10.8 million as of 31 December 2020 to RMB19.6 million as of 31 December 2021, mainly due to the increase in the deductible temporary differences before income tax arising from impairment losses and unrealized losses on financial instruments.

Other Assets

Our other assets decreased from RMB42.8 million as 31 December 2020 to RMB13.3 million as of 31 December 2021 mainly due to (i) the collection the prepayment of non-performing loans; and (ii) the disposal of repossessed assets. The following table sets forth a breakdown of our other assets as of the dates indicated:

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Repossessed assets	**8,693**	10,506
Prepaid tax	**328**	1,243
Deposit payments	**2,600**	30,000
Other receivables	**680**	605
Deferred and prepaid expenses	**981**	438
Total other assets	**13,282**	42,792

Income tax payable

Our income tax payable, which represents our current income tax liabilities, was RMB3.9 million and RMB15.2 million, respectively, as of 31 December 2020 and 2021.

Other payables

Our other payables mainly include payrolls payable, value-added tax and surcharges payable, deposits and others. As of 31 December 2020 and 2021, our other payables were RMB21.1 million and RMB14.7 million, respectively. Such decrease was mainly due to (i) the decrease in deposits of RMB8.8 million; and (ii) the increase in payrolls payable, and value-added-tax and surcharges payable of RMB1.5 million.

Financial liabilities at fair value through profit or loss

The liabilities associated with transferred financial assets which were not derecognized were designated as at fair value through profit or loss since the transferred financial assets were measured on a fair value basis, in accordance with risk management and investment strategies of the Group.

As of 31 December 2021, we recorded RMB10.0 million of the liability associated with transferred financial assets that were note derecognized regarding a transferred NPL investment. For more details, please refer to note 35 to the consolidated financial statements.

Indebtedness

Interest-bearing bank and other borrowings

The following table sets forth our outstanding borrowings as of the dates indicated:

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Guaranteed bank loans	**98,063**	50,067
Margin loans	**7,988**	—
Total	**106,051**	50,067

Lease liabilities

Our lease liabilities increased from RMB0.2 million as of December 2020 to RMB1.7 million as of 31 December 2021 mainly because of a new office rental for our representative office.

Provision for a contingent liability

As of 31 December 2021, we recorded a provision for a liability of RMB12.7 million in relation to a litigation initiated in November 2020. Xiangyu Xinghong, as the plaintiff, claimed that the Company, as one of its shareholders, should fullfill its shareholders obligation and pay the capital contribution and the interest with an aggregate amount of RMB12.7 million, represents 10% equity interest in the Xiangyu Xinghong. Such equity interest in the Xiangyu Xinghong was repossessed by the Company as a settlement of a non-performing loan with carrying amount of RMB12.7 million with a borrower. In November 2021, Xiamen Intermediate People's Court in Fujian Province (福建省廈門市中級人民法院) granted its judgment (the "**Judgement**") in favour of the Xiangyu Xinghong. The Company appealed to Fujian High Court regarding the Judgement in December 2021. As the date of this announcement, no hearing has been held. For more details, please refer to note 8 to the consolidated financial statements.

Contingent Liabilities

Save as disclosed in this announcement headed "Provision for a contingent liability", we had no significant contingent liabilities as of 31 December 2021.

Termination of Issue of Asset-backed Securities

Reference is made to the interim report of the Company dated 16 September 2021. As disclosed in the interim report, after consulting with the professional institution with reference to the market condition is high and no asset-backed securities has been issued, the issue of asset-backed securities was terminated. The Board considers that the termination of the proposed issue of the asset-backed securities will not have any material adverse impact on the business operations or financial position of the Company.

Capital Expenditures

Our capital expenditures consist primarily of (i) the purchase of intangible assets; and (ii) the purchase of fixtures and office furniture and equipment. The following table sets forth our capital expenditures for the years indicated:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Capital expenditures		
— Micro-credit business	**1,326**	8,531
Total	**1,326**	8,531

Related Party Transactions

None of the related party transactions set out in note 30 to the consolidated financial statements constitutes connected transactions or continuing connected transactions which are subject to the reporting, annual review, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Commitment and Contractual Obligations

Capital Commitments

Our capital commitment, which was contracted but not provided for in the financial statements, was in respect of a software and leasehold improvements during the Reporting Period. Our capital commitment was RMB883,248 as of 31 December 2020 and RMB278,537 as of 31 December 2021 mainly consists of the development of software and leasehold improvements.

Key Financial Ratios

The table below sets out our key financial ratios as of the dates indicated:

	As of/For the year ended 31 December	
	2021	2020
Return on equity[(1)]	**3.8%**	3.8%
Return on assets[(2)]	**4.5%**	4.1%
Gross loans to total assets[(3)]	**76.3%**	67.7%
Gearing ratio[(4)]	**5.6%**	1.7%

Notes:

(1) Return on equity is calculated by dividing net profit attributable to owners of the parent for the year by the balance of equity attributable to owners of the parent as of the indicated dates multiplied by 100%.

(2) Return on assets is calculated by dividing net profit for the year by the balance of total assets as of the indicated dates multiplied by 100%.

(3) Gross loans to total assets ratio equals the gross loans receivable amount as of the indicated dates divided by the total assets as of the same date and multiplied by 100%. Gross loans receivable represent our total loans receivable before the deduction of allowance for impairment.

(4) Gearing ratio equals net debt as of the indicated date divided by the aggregate of our capital and net debt as of the same date multiplied by 100%. It reflects our financial leverage.

Our return on equity reflecting our financial performance remained at 3.8% for the year ended 31 December 2020 and 2021. Our return on assets reflecting our profitability increase from 4.1% for the year ended 31 December 2020 to 4.5% for the year ended 31 December 2021 primarily due to the increase in the average effective interest rate per annum. Our gross loans to total assets reflecting our high capital utilization ratio remained at a high level with an increase from 67.7% as of 31 December 2020 to 76.3% as of 31 December 2021 primarily due to the increase in gross loans. Our gearing ratios reflecting our financial leverage increase from 1.7% as of 31 December 2020 to 5.6% as of 31 December 2021, mainly due to the increase in the amount of outstanding bank borrowings.

Off-balance Sheet Arrangements

As of 31 December 2021, we did not have any off-balance sheet arrangements.

Foreign Currency Exposure

Our Group did not use any derivative financial instruments to hedge the risk of exchange rate changes since almost all of our revenue was from mainland China for the year ended 31 December 2021.

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

There were no material investments or acquisitions by our Group for the year ended 31 December 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

Other than bank loans we obtained from commercial banks, we also consider issuing bonds in the PRC or conducting income rights transfer and repurchase financing or other investments plans or options. Nevertheless, as of the date of this announcement, we do not have any firm intention or formulated any specific plan on material external financing in the short term.

Save as disclosed above, our Group had no future plans for material investments or external financing as of 31 December 2021.

CHARGE ON OUR GROUP'S ASSETS

As of 31 December 2021, we did not have any charges on our assets.

EMPLOYMENT AND EMOLUMENTS

As of 31 December 2021, our Group had 63 employees, all of whom were based in Fujian province. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits include pension, unemployment insurance and housing allowance.

CONTINUING DISCLOSURE REQUIREMENTS UNDER THE LISTING RULES

As of 31 December 2021, our Group was not involved in any circumstances that would give rise to a disclosure requirement under Rules 13.12 to 13.19 of the Listing Rules.

PROSPECTS

Although the impact of the coronavirus pandemic on the national economy was still felt into 2021, our Group adopted a steady approach to develop the Company, bringing about improvements in business development, organizational structure, and information-system design.

In terms of business development, we plan to maintain a prudent strategy, assessing trends in market demand, monitoring developments in regulatory policies, and applying for preferential loan policy to broaden existing business channels and accelerate growth. With regards to organizational structure, we will continue to optimize our business divisions to include corporate finance, inclusive finance, and innovative financing in order to cater to our customer needs through the optimized product position and portfolio. In terms of information-system design, we intend to facilitate our loan application and approval procedure, and enhance our data mining abilities to deepen our system functionality and enable further business development.

Looking ahead to 2022, with strong economic resilience despite the pandemic and the global economy on the path to recovery, China will continue to stabilize and restructure its economy, and enhance its financial regulations. In this year, the Group remains committed to developing steadily and healthily by applying for better policy support, and exploring new opportunities for growth. The Group further remains committed to enabling the strengthening of its various competitive capabilities, and working toward the creation of sustainable operations by enhancing its organizational structure, and expanding its talent pool and product range to meet the diversified needs of the market and make its contribution to the development of the real economy.

CORPORATE GOVERNANCE

Our Group is committed to maintaining high standards of corporate governance and protecting the interests of its shareholders in an open manner. The Board and the management of the Company has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules and reviewed its corporate governance practice from time to time. During the Reporting Period, the Company has fully complied with the Code Provisions.

UPDATES ON DIRECTORS' AND SUPERVISORS' INFORMATION

Mr. Zhang Lihe appointed as the chairman of the nomination committee on 24 December 2021 in replace of Mr. Zhou Yongwei. For more details, please refer to the announcement of change of chairman of nomination committee of the Company dated 24 December 2021.

Save as disclosed above, there was no changes in information of the Directors and supervisors of the Company since the Company's last published interim report up to the date of this announcement pursuant to Rule 13.51B(1) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct for carrying out securities transactions of the Company by the Directors and supervisors of the Company. After specific enquiry with all Directors and supervisors, they have confirmed fully compliance with the relevant requirements stipulated in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Our Group has not purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2021.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.05 per share for the year ended 31 December 2021 to shareholders whose names appear on the Company's register of members on Friday, 24 June 2022 (the "**Proposed Final Dividend**"). Subject to the approval of the shareholders at the Company's forthcoming annual general meeting to be held on Friday, 10 June 2022 (the "**AGM**"), the Proposed Final Dividend is expected to be paid on or around Monday, 15 August 2022.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain shareholder's entitlement to attend and vote at the AGM, the H share register of members of the Company will be closed from Wednesday, 11 May 2022 to Friday, 10 June 2022, both days inclusive, during which period no share transfers will be registered. In order to qualify for attending and voting at the AGM, holders of H shares of the Company shall lodge transfer documents with the Company's H share registrar in Hong Kong (the "**H Share Registrar**"), Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, or to the Company's headquarters in the PRC, at 35/F, Huijin International Center, No. 105 Daxing Street, Fengze District, Quanzhou City, Fujian Province, the PRC (for holders of domestic shares), for registration no later than 4:30 p.m. on Tuesday, 10 May 2022.

For the purpose of determining the entitlement to the Proposed Final Dividend, the H share register of members of the Company will be closed from Monday, 20 June 2022 to Friday, 24 June 2022, both days inclusive, during which period no share transfers of H shares of the Company will be registered. In order to be entitled to the Proposed Final Dividend, unregistered holders of H shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Boardroom Share Registrars

(HK) Limited, or to the Company's headquarters in the PRC, at 35/F, Huijin International Center, No. 105 Daxing Street, Fengze District, Quanzhou City, Fujian Province, the PRC (for holders of domestic shares), for registration no later than 4:30 p.m. on Friday, 17 June 2022.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the note 38 to the consolidated financial statements, no event needs to be disclosed after the Reporting Period.

AGM

The AGM will be held at 35/F, Huijin International Center, No. 105 Daxing Street, Fengze District, Quanzhou city, Fujian province, the PRC on Friday, 10 June 2022. Notice of the AGM will be issued and disseminated by the Company to shareholders in due course.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by our Group, auditing, internal controls and financial report matters, and our Group's policies and practices on corporate governance. The Audit Committee has reviewed and discussed with management and the Company's auditor, Ernst & Young, the audited financial statements for the year ended 31 December 2021.

This Annual Results announcement is based on our Group's audited consolidated financial statements for the year ended 31 December 2021 which has been agreed with the auditor of the Company.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The Annual Results announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.qzhuixin.net**). The annual report for the year ended 31 December 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and available on the same websites in due course.

PROPOSED REVISION TO SCOPE OF BUSINESS AND AMENDMENT TO ARTICLES OF ASSOCIATION

Proposed Revision to Scope of Business

On 29 March 2022, the Board approved the change of scope of business of the Company from "conduct micro loan business, investment, bill discount, loans entrusted by institutions in the bank industry, and other approved business (excluding those that shall be pre-approved by the bank supervisory authorities) in Quanzhou City" to "The Company's licensed business scope is: conduct micro loan business, and other business approved by the supervisory authorities subject to the laws. The specific business shall be subject to the documents or the business license approved by the supervisory authorities. The Company's general business scope is: conduct investments with internal funds, and the business subject to the business license and laws. (other than those that shall be pre-approved by the supervisory authorities subject to the relevant laws).” (the “**Proposed Revision of Scope of Business**”).

The Proposed Revision of Scope of Business is subject to the approval of the shareholders of the Company by way of special resolution at the AGM and all the necessary approvals and filing procedures having been obtained from the relevant authorities in the PRC.

Proposed Amendments to Articles of Association

On 29 March 2022, the Board also approved the following proposed amendments to the Article 13 and Article 64 of the articles of association of the Company (the “**Proposed Amendments of Articles of Association**”):

The Article 13, which originally reads as:

“The Company’s scope of business shall be as approved by the authority in charge of the registration of the Company. The Company’s scope of business is: “conduct micro loan business, investment, bill discount, loans entrusted by institutions in the bank industry, and other approved business (excluding those that shall be pre-approved by the bank supervisory authorities) in Quanzhou City.” (For the items subject to the approval according to the laws, relevant approval must be obtained prior to operation).

is proposed to be amended as:

“The Company’s licensed business scope: conduct micro loan business, and other business approved by the supervisory authorities. The specific business shall be subject to the documents or the business license approved by the supervisory authorities. The Company’s general business scope: conduct investments with internal funds, and other business (excluding the business that shall be pre-approved by the supervisory authorities subject to the relevant laws).”

The Article 64, which originally reads as:

“A notice of a general meeting shall be given 20 days before the date of the annual general meeting and 15 days (no less than 10 business days) before the date of the extraordinary general meeting to all shareholders by the convener.

The notice period is not including the date of the general meeting and the date of the notice of the meeting.”

is proposed to be amended as:

“A notice of a general meeting shall be given <u>21</u> days before the date of the annual general meeting and 15 days (no less than 10 business days) before the date of the extraordinary general meeting to all shareholders by the convener.

The notice period is not including the date of the general meeting and the date of the notice of the meeting.”

The Proposed Amendments of Articles of Association is subject to the approval of the shareholders of the Company by way of special resolution at the AGM and all necessary filing procedures having been obtained from the relevant authorities in the PRC.

By order of the Board
Quanzhou Huixin Micro-credit Co., Ltd.*
WU Zhirui
Chairman

Hong Kong, 29 March 2022

As at the date of this announcement, the executive Directors are Mr. WU Zhirui, Mr. ZHOU Yongwei, Mr. YAN Zhijiang and Ms. LIU Aiqin; the non-executive Directors are Mr. JIANG Haiying and Mr. CAI Rongjun; and the independent non-executive Directors are Mr. SUN Leland Li Hsun, Mr. ZHANG Lihe and Mr. LIN Jianguo.

* *For identification purpose only*